

ECONOMIC FREEDOM  
AND  
ECONOMIC PLANNING  
A SYMPOSIUM

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CITIZENSHIP SERIES OF LECTURES

Democracy

*To be Published*

Science in the Service of Man (6 lectures)

Indian National Evolution (10 lectures)

Social Justice and its Problems (3 lectures)

Indian Constitution (8 lectures)

India in the International Set-up (5 lectures)

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## AN IMMEDIATE MINIMUM ECONOMIC PROGRAMME

*By SHANKARRAO DEO*

The historic role or task of the Congress, namely the attainment of complete independence of India from foreign rule was fully achieved when on the 15th August the British transferred full power to the Indian hands. For achieving this great task in the shortest possible time, the Congress had wisely concentrated all her resources and strength mainly on the fight for freedom, and had created for this purpose a united front of all nationalist groups whose first and main objective was the freedom of the country, though they had different and sometimes conflicting economic and social interests among themselves. Still, while engaged in this fight, the Congress realised the need for political freedom having an economic and social content. The Congress, therefore, while fighting on freedom's front tried to give gradually more and more economic and social content to its freedom through various resolutions and election manifestoes. It even tried to implement them through its Constructive Programme and through power when opportunity offered itself to do so.

Now that the freedom's battle is over and complete political power has been achieved, the Congress must immediately begin its next great task, namely the establishment of real democracy in this country and create a new society based on social justice and equality. In this new society, every man and woman will have full equality. In this new society, every man and woman will have full liberty to work for the unfettered development of his or her personality and equality of opportunity of congenial work and proper means for realising what-

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ever is good in him or her. The Congress has accepted that the free and full growth of the individual must be the supreme end of the social system and this will only be possible in a society in which democracy extends from the political to the social and economic spheres also. The India of Congress conception must be, as has been said in one of its election manifestoes, a cooperative commonwealth, in which all wealth will be produced on a cooperative basis and must necessarily belong to the whole community. The land, with all its mineral resources, means of production, distribution, exchange and transportation will belong to the whole community. The land, with all its mineral resources, means of production, distribution, exchange and transportation will be worked and regulated by the community in its own interests.

In the present day democratic capitalist society, political as well as economic power is concentrated in the hands of the few. Therefore, it is detrimental to the freedom and equality of the many. The present parliamentary democracy, though it apparently gives power to the common man or woman to change the government if he or she so chooses once every three or five years by his vote, when the general elections are held, in reality the political power is concentrated in the hands of the few in the shape of experts and bureaucrats. The art of governance has today become so complicated that it has become the job of the expert. The common man can understand and follow very little of what is going on in the secretariat or in the assembly. A sort of remoteness, not merely geographical but also psychological, is created and the common man loses all interest in the affairs of the State. No wonder that what does not interest him does not also help him to grow. The evils of private capitalism are obvious. It creates poverty and misery and the economic inequality created by it is so great that political and other freedoms and equality become a mere myth.

The claim advanced on behalf of State Socialism that it will remove political slavery and economic inequality is not justified by actual experience. State Socialism, no doubt, abolishes private ownership in land and capital and consequently many of its evils. But it does not give that political freedom and economic equality to the people. It brings dictatorship instead of democracy and managership instead of ownership in political and economic fields. A civil service whether political or economic is conscious of its power and knowledge and soon becomes impervious to public criticism and impregnable to outside influence. Thus, though in name the servants of the people, they become the real masters, and enjoy the greater share of power and national wealth.

The only remedy seems to be the devolution and decentralisation of political and economic power. We must create within the State or the nation small autonomous, self-sufficient territorial and economic groups and give them full internal self-government or administrative freedom. Of course, this should be compatible with the maximum material and cultural progress of the community and the highest physical, intellectual and moral growth and fullest expression and development of the personality in the case of its individual members.

So also in each industry, not only the workers should increasingly be associated with the administration of that industry but there should be complete self-government as far as the internal affairs of the industry are concerned. With the parliament as the supreme legislature of the country should be associated the representatives of different industries or functions in the administration of the country in general and in the respective industries and functions in particular. Of course, in such a society the economic activity will be based on the principle of service and cooperation and not on that of private profit or competition. In this society, there will be no high or low nor will there be specially privileged

classes nor honour and homage paid to mere birth. The status of a man in society will depend on the useful social function he performs and he will be honoured only for the service that he renders to the society.

Everybody will work according to his capacity, not for the benefit of an individual or a class, but for the well-being of the society as a whole. There will be no gross inequalities of incomes as at present. In such a society, based on these principles, can be secured maximum individual liberty and equality.

To achieve this goal, the country will have to pass through various stages the nature and the time of which will depend on the conditions in the country and means and methods adopted to achieve this. As a first stage, the Congress must adopt the minimum programme immediately according to a fixed time-table.

### *Agriculture*

In India, the principle that all land belongs to the State has been practically accepted. In order to give full effect to this principle in practice, landlordism of all kinds must be abolished and thus no intermediaries be allowed to function between the peasant and the State. The present system of peasant proprietorship should be allowed to continue, but even here the emphasis should be on the peasant cultivating land personally or with hired labour. Farming on a cooperative basis should be ideal and therefore encouraged by the State. For increased efficiency in agriculture, excessive fragmentation of land either through sale or inheritance should be prohibited or prevented by law and minimum economic holdings should be fixed. So also the maximum economic holdings should be determined and further, there should be consequent redistribution of land and the smallest landless peasant should benefit therefrom. In the meanwhile, uneconomic holdings should be exempted from rent and land-tax and agricultural incomes should be assessed to income-tax like all other incomes

on a progressive scale, subject to a prescribed minimum. Transfer of land to non-agriculturists should generally be stopped by law. Fixity of tenure with heritable rights along with the right to build houses and plant trees should be provided for all tenants. Agricultural cooperative societies should be established which will provide credit to the farmer and do all this buying and selling. Minimum living wage for the agricultural labourer should be fixed by law and everything should be done to improve his lot. In an agricultural country like India where rapid industrialisation is planned, a proper integration and balance between rural and urban economies must be maintained. The rural economy must not be allowed to suffer. An attempt must be made to equalise as far as possible the standards of life of town-dwellers and villagers.

### *Industry*

The first thing to be undertaken in this field is to have an industrial plan and for that purpose a Central Planning Authority by the Central Government has to be formed. The Central Government should issue to it a directive indicating the sphere of productive effort they would like to be reserved for development through cottage industries in the interests of the national economy as a whole. The next step is the creation in every province of a Cottage Industries Board, with the object of planning for the development of cottage industries, particularly with the general policy of the Central Government.

As the policy of the Congress is decentralisation as far as possible, it must be decided after careful enquiry and consideration what industries can be decentralised and what must remain necessarily centralised. There are certain business enterprises which may not be capable of organisation on the basis of decentralised economy. These are firstly, the public utility concerns and secondly key industries whose concentration of

capital and labour is almost inevitable. Such industries, under a democratic control, have ultimately to belong to the community as a whole or brought under its effective control through the central, provincial or local authority as the best interests of the nation may require. The Central Planning Authority should prescribe a programme for it. The policy of nationalization should not be followed merely on ideological grounds. Maturity and working of the industries as well as men and money that the state can command for the purpose are very important factors which must be taken into consideration.

As for the decentralised industries, they should be organised on cooperative lines. Some industries in which centralisation is inevitable are: defence industries, power, hydro thermal electricity, mining, metallurgy and forestry; iron and steel, coal, mineral oil and timber; heavy engineering; ships and locomotives; heavy chemicals and fertilizers; coastal shipping; passenger motor transport.

In the management of all these industries care should be taken to ensure that through joint contracts, Whitley Councils, and Works Committees, there is dispersed production. Nationalisation does not mean bureaucratisation. The workers should be made to feel that he is a partner in the enterprise.

A system of licensing of factory industries which is an essential part of the scheme of controlled economy should also be adopted. One of its objects should be the regulation of undertakings which compete with cottage industries and displace human labour. There might be control also over:—

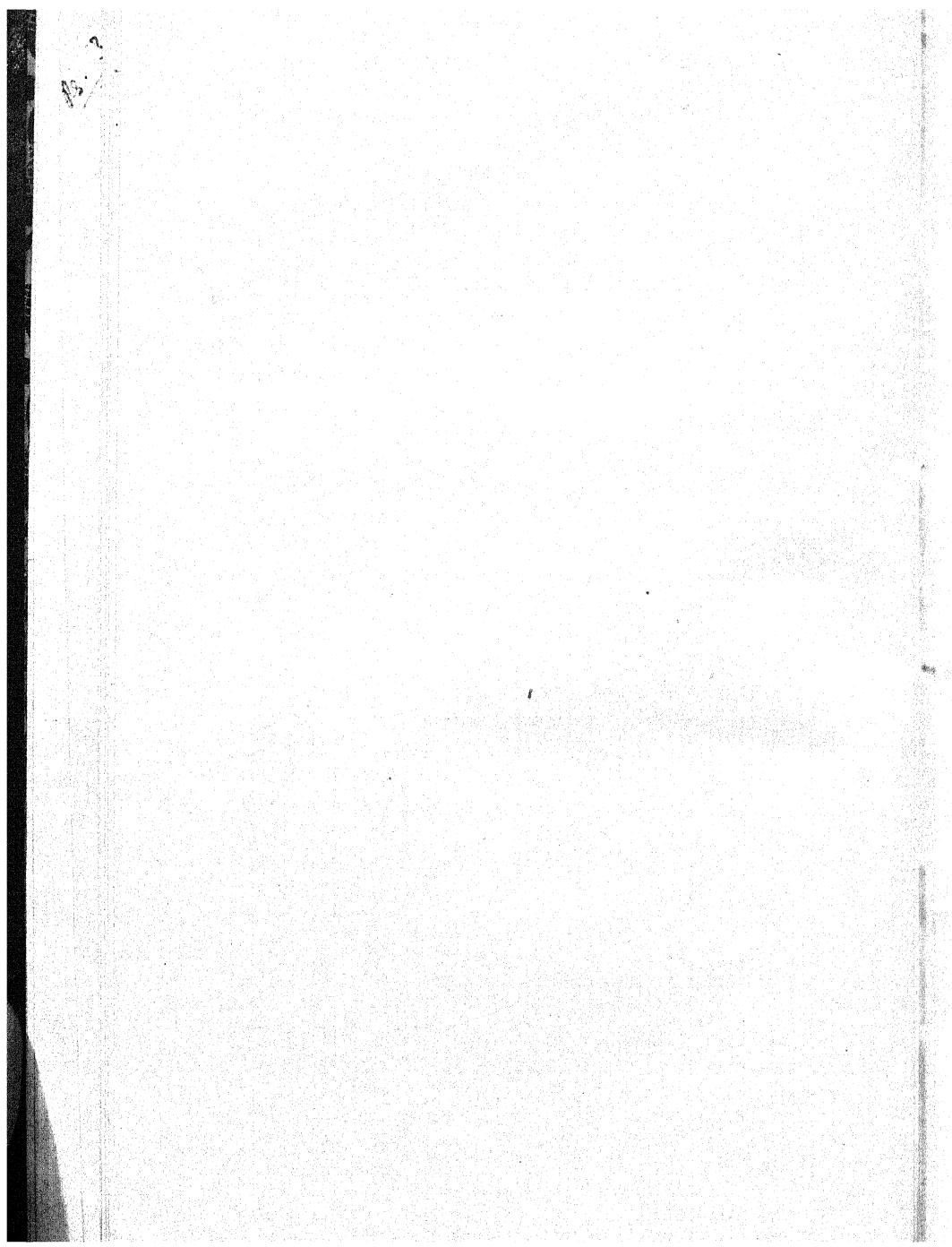
(1) Capital issues, (2) Building materials (3) wage and labour conditions, (4) motive power, (5) remuneration of management, (6) compulsory state audit on the basis of model balance sheet, (7) prices of raw materials and finished goods.

There should be a Permanent Tariff Board at

the Centre. This will deal with questions relating to the levying of duties on foreign trade. In addition it should be charged with the duty of considering matters which have vital influence on the economics of cottage industries, and their ability to withstand the competition of machine-made products.

In centralised or decentralised, nationalised or state-controlled or privately owned industry, the welfare of the worker must be the foremost consideration. A living wage, limited hours of labour, healthy conditions of work, protection against the economic consequences of old age, sickness and unemployment, protection of women workers, and especially adequate provision for leave during maternity periods should be guaranteed. Employment of children of school-going age in factories must be prohibited by law. Right of labour to form unions to protect their legitimate interests must be recognised and suitable machinery for settlement of disputes by arbitration or adjudication must be provided for.

Despite the growth of industrialisation in India, there is a larger number of employed in cottage industries than in organised industries today. But the lot of the former in some respects is worse than that of the latter. The reason is that workers in cottage industries are the victims of the present economy of exploitation and the industrial structure is such as to make the industries unsuited for progressive development. The workers are subject to exploitation by middlemen who supply raw materials or sell finished articles and provide credit. Their individual resources are too poor to permit of any improvement being undertaken. The government must start organisations which, while combining the resources of individuals, renders it possible for the small producers to get some of the advantages of large scale production such as bulk purchase, cheap credit, orderly marketing and ability to effect adjustment of technique.



## EDITOR'S NOTE

The Congress is a champion of democracy. It will, therefore, as one of its main tasks henceforth devote its energies to this constructive work of educating the people and fostering in them the rational approach to all things in life.<sup>1</sup> So with a view to promote a sense of active citizenship and to facilitate clear and constructive thinking about the conditions of a progressive national economy and a free, peaceful democratic life it was decided to organise under the auspices of the All India Congress Committee Office periodic talks and lectures on current social, economic, political and scientific subjects and to publish suitable literature on the basis of these talks and lectures.

The following subjects and speakers-in-charge were selected:

- (1) Democracy—*Dr. Tarachand.*
- (2) Economic Freedom and Economic Planning—  
*Prof. S. K. Rudra and Prof. C. D. Thompson.*
- (3) Science in the service of Man—*Prof. A. C. Banerjee.*
- (4) Social Justice and its problems—*Hon'ble Mr. Justice P. N. Sapru.*
- (5) Indian National Evolution—*Dr. R. P. Tripathi.*
- (6) The Indian Constitution—*Dr. Bisheshwar Prasad.*
- (7) India in the International set-up—*Shri Satyacharan.*

So far lectures were delivered on the first two subjects—Democracy, and Economic Freedom and Economic Planning. In formulating and organising these

<sup>1</sup> Shankarrao Deo—Inaugural Address, A. I. C. C. Citizenship Series of Lectures.

lectures I thankfully acknowledge the unstinted co-operation and valuable assistance of the Vice-Chancellor, Dr. Tarachand and the teachers of the Allahabad University.

In organising the series of lectures on Economic Freedom and Economic Planning I received guidance and help in various respects from Prof. C. D. Thompson of the Economics Department of Allahabad University. In fact, I sometimes felt guilty in trespassing on his busy routine. But with his characteristic good humour and winning smile he always rendered all possible help.

This symposium arises out of the speeches delivered and the discussions following the speeches in the Citizenship Series of Lectures on Economic Freedom and Economic Planning. It is not a blueprint. This can hardly be an outline of a plan because it was not intended to be so. In India all the substance of planning generally amounts to taking certain ameliorative measures by the State. These are given the name of a plan. By giving the name of a plan these measures lack the dynamics of action for the present. So this symposium claims to serve only as a guide for discussion. Some recorded lectures in the series have been broadcast to the radio-listeners through the All-India Radio. We were emboldened to organise this series of lectures on Economic Planning and to publish the lectures because "the publication of the volume will evoke interest and constructive criticism from a considerable body of opinion in the country and so contribute to the solution of some of our major problems."<sup>1</sup>

Before the World War I, planning touched national life only at a few points like labour-welfare, housing and unemployment. But in the post-war period Planned Economy became much more comprehensive embracing almost all the aspects of national life. The Five Year Plan of Soviet Russia was the first in the field

<sup>1</sup> Pandit Jawaharlal Nehru—Foreword to Report of Planning Advisory Board.

and it made the world plan-minded. In spite of mass murders, treason-trials, purges and the communist party reigning supreme as "the dictator of the proletariat" the Russian Revolution by overthrowing capitalism and by owning and regulating industry, trade, and commerce by the State in the interests of the people and planning economic life in terms of masses and raising the standard of living considerably, marked the end of an epoch in economic reconstruction and the dawn of a New Age of hope and salvation for the downtrodden and the underprivileged.

But in course of a few years writers and thinkers like Louis Fischer, Max Eastman, Andre Gide and Freda Utley who lived in the Soviet Union for years and who interpreted the Russian experiment to the world, began to be disillusioned at the turn the Revolution was taking. The Society far from being classless, began to be lorded it over by a new and powerful class—the managerial class.<sup>1</sup> Liberty of the people began to be more and more restricted and the State instead of "withering away" developed into a Leviathan. The reason is not far to seek. "The study of history suggests that dictatorships from their very nature become, as they grow older, not less but more extreme... Yet the theory of Communism postulates precisely the reverse of what history teaches and maintains that at a given moment a dictatorial government will be willing to reverse the engines, to relinquish power, and having denied Liberty, to concede it. Neither history nor psychology affords any warrant for this conclusion."<sup>2</sup>

Besides the centralised method of large scale production led to concentration of power in a few hands. Power corrupts men, however noble they may be. "The dangers of economic and political despotism inherent in a system of production have to be admitted. It is

<sup>1</sup> Burnham Managerial Revolution.

<sup>2</sup> Prof. Joad Guide to Philosophy of Morals and Politics.

bad enough to have to be subservient to an employer for one's living, but subservience imposed by the State which controls every avenue of employment is infinitely worse.”<sup>1</sup> “Any centralised form of Government is bound to be oligarchical in tendency. We are told that the State will “wither away”....But in that case there is certain to arise a new dominant minority....Any policy of reconstruction that is to be of real value must aim at decentralisation.”<sup>2</sup>

While Russia was planning in the Socialist framework, the same task was being attempted within capitalist framework in America and Great Britain maintaining Democracy, in Fascist Italy and Germany by overthrowing democracy.

To weather the economic blizzard—the Great Depression, under President Roosevelt U. S. A. formulated and executed the National Recovery Plan. It must be admitted that the New Deal was not designedly a move towards any sort of even semi-socialism, but rather an attempt to set American capitalism once more firmly on a profit making basis.<sup>3</sup>

Rather late in the day Great Britain after a long period of haphazard planning formulated the Beveridge Plan of Social Security. It was meant to bring security to British Labour keeping the colonies in chains. Moreover, it was apprehended that as a result of such schemes, the country would be divided into “two nations of the taxpayers and tax-eaters.”<sup>4</sup> In Nazi Germany Hitler launched the Four Year Plan to prepare Germany for the repudiation of the Treaty of Versailles. Through ruthless regimentation on the basis of war-economy it brought efficiency and liquidated unemployment only to land in a decade the fatherland and the people on

<sup>1</sup> Dr. Gyanchand—Introduction to Industrial Problem in India.

<sup>2</sup> Prof. Ginsberg—Psychology of Society.

<sup>3</sup> G. D. H. Cole—Practical Economics—p. 164.

<sup>4</sup> Dean Inge—The Fall of Idols p. 105.

utter ruin and shame.

In India Sir M. Visvesvaraya, the engineer economist, was the pioneer in the field of economic planning. In 1934, G. D. Birla made a plea for planning (*Indian Prosperity—a Plea for Planning*) at one of the annual conferences of the Federation of Indian chambers of Commerce and Industry. His speech was a usual polemic, but not a plan. The 18th Indian Economic Conference discussed collectively for the first time planned economy in India. Thirteen papers on different aspects of planned economy were read and discussed. The same year the Crop Planning Conference took place. Prof. Gyanchand in summing up the discussion in the Indian Economic Conference said:—

“Most of what is being said here or elsewhere in India on economic planning is platitudinous. All this talk of economic planning is based on confusion of ideas, and will only lead to purposeless frittering away of our very limited public energy and resources.”<sup>1</sup>

The Indian National Congress in course of its fight for Swaraj tried to indicate through occasional resolutions the economic and social content of Swaraj, its bearing on the life of the common man and the means of realising it. By the time of Karachi Session 1931 it took the concrete shape of a Charter of Fundamental Rights and an Economic Programme. The Great Depression and the years following it, brought untold poverty and huge unemployment to the peasantry in particular with the fall of agricultural prices. The Congress at Lucknow adopted an Agrarian Programme which was re-affirmed at Faizpur in 1936. Of course these were programmes and not plans. But a programme precedes a plan. And in 1937 August the Working Committee of Congress at Wardha felt the urgent necessity of appointing a Committee of Experts to for-

<sup>1</sup> The Essentials of Economic Planning for India. Vol. 15—  
pp. 794-95.

mulate a scheme of national reconstruction and Social Planning on extensive surveys and collection of data. The Working Committee in July 1938 resolved to convene a Conference of the Ministers of Industries to attend to the work of national reconstruction and planning. The Conference of Ministers of Industries was held in Delhi in October under the chairmanship of Subhas Chandra Bose. It appointed a Planning Committee of eleven members and an All India Planning Commission. But soon after the country plunged into a political upheaval and the work of the Planning Committee could not be regularly carried on, its chairman Pandit Jawaharlal Nehru being thrown into prison. At a time when the voice of the nation was hushed by the ruthless repression of foreign imperialism eight industrialists of Bombay by formulating a Plan of Economic Development of India made a valuable contribution by focussing attention on the question of Planning. It was all the more urgent on the eve of the commencement of the Government Plans for Post-War Reconstruction. The Radical Democratic Party also brought out a People's Plan. To divert public attention from the present atmosphere of deep bitterness and frustration the Government of India set up Post-war Reconstruction Committees to plan for India's future. In fact the whole scheme was a big hoax. The word "reconstruction" is a misnomer. India has to construct rather than reconstruct. In India, nothing is destroyed, nothing is built excepting for a few industries that have sprung out of war necessity.

The Advisory Planning Board was constituted by the Government of India on the 26th Oct. 1946 with the following terms of reference:—

(a) to review the planning that has already been done by the Government, the work of the National Planning Committee and other plans and proposals for planning.

(b) to make recommendations in the light of this

review for the coordination and improvement of planning.

(c) to make recommendations as regards objectives and priorities and (d) to make recommendations regarding the future machinery of planning.

The Advisory Planning Board has submitted its report.

In the light of the efforts made for Planning here and abroad, no matter the results of such planning, it may be boldly asserted that even in India the argument between planners and anti-planners is dead. Because the alternative to a planned economy is not some paradise of "free-enterprise," all round decontrol and unfettered competition but friction and conflict of interests interspersed with erratic and intermittent government action without provision or preparation.<sup>1</sup> Of course, diffidence in planning economic life has not vanished altogether from the minds of economists. As Prof. C. D. Thompson remarks, The "question still arises whether we yet know enough economics enough of the reactions to planning and individual incentives to labour, enough of the relation between recreation and production to enable us to plan without increasing poverty."<sup>2</sup> In India this diffidence has been genuinely created by seeing long the evils of "hit and miss" methods of Government of India in tackling economic problems and by observing the administration helplessly waiting on events instead of anticipating them and being victims of circumstances instead of their masters.

So that people might learn to look upon planning not as a superimposition by a powerful authority from above, not as a substitution of socio-economic forces by the will and action of a few ministers or officials

<sup>1</sup> G. L. Mehta—Machinery of Planning, Silver Jubilee Celebrations at the University School of Economics and Sociology, Bombay.

<sup>2</sup> Lecture No. 2 "Productivity and Planning."

sitting in New Delhi, the plan must take account of the cultural and sociological foundations of the Indian life and the people. Imitation of the Western pattern of planning, capitalist or socialist, will be building on shifting sands. Taking note of the changed circumstances the planning authority must evolve a plan with its roots gaining strength from native soil. From times immemorial well organised and powerful Village Communities were the very basis of our social, economic and cultural life which by their presence created a spirit of humanism, equality, justice, peace and co-operation as distinct from western individualism, struggle for existence and survival of the fittest. India's economic plan must at once be true to this socio-economic culture of the country as well as to the spirit of the Modern Age.

After all Planning is only a means to an end and not an end in itself. The supreme question in Planning, therefore, is *what for we are Planning?* What are the objectives to be attained by the Plan?

Prof. Cole wants "to resort to a form of planned economy which will take as the guiding principles of its activity the full utilisation of the available productive resources and the planned distribution of incomes so as to promote the standards of consumption most consistent with common welfare."<sup>1</sup>

Prof. Aldous Huxley's criterion of good planning is, "whether it will help to transform the society to which it is applied into a just, peaceful, moral and intellectual progressive community of non-attached and responsible men and women."<sup>2</sup> To Dr. Sun Yat-Sen, the father of modern China, the objectives of such a plan were defined by the Three Peoples' Principles —Nationalism, Democracy and Livelihood.

The Industrialists' Plan of Economic Development

<sup>1</sup> Principles of Economic Planning—p. 406.

<sup>2</sup> End and Means—p. 32.

of India sets out the principal objective of planning as bringing about a doubling of the present *per capita income* within a period of fifteen years from the time that the plan comes into operation and the authors of the plan say that the ultimate object of planning should be to increase the volume of India's economic production to the fullest extent which its natural resources would allow.

The Second Report of Reconstruction Planning Council mentions the objective of planning as raising "the standard of the people as a whole and *to ensure employment of all*."

Both the Plans in formulating the objectives ignore the cardinal fact that economic development is essential for *social progress*. The former does not necessarily lead to the latter. Economic development should be undertaken with the specific objective of ensuring social progress. It is necessary to guard against a plan which will make rich richer and poor poorer.

In this respect the Report of the Advisory Planning Board adopts a more progressive definition and adds, "the attainment of this objective requires that the resources of the country should be developed to the maximum extent possible and that the wealth produced should be *distributed in an equitable manner*. It also requires a certain degree of *regionalisation*, that is, a dispersal of industrial and other economic activity, so that so far as the physical conditions permit each distinct region of the country may develop a balanced economy."

*All the three plans, however, do not recognise the cultural and spiritual values which are important constituents of the standard of living.* Man does not live by bread alone. Life is not all matter. Economic man is long dead as a dodo. Economic values should on no account be divorced from spiritual and cultural values. The National Planning Committee has given the right definition of a National Plan in a note for the guidance of its sub-committees:

"Planning under a democratic system may be defined as the technical co-ordination by disinterested experts, of consumption, production, investment, trade and income distribution in accordance with social objectives set by bodies representative of the nation. Such planning is not only to be considered from the point of view of economics and the raising of the standards of living, but must include *cultural and spiritual values and the human sides of life*. The principal objective of planning the national economy should be to attain, as far as possible, National Self-sufficiency, and not primarily for the purpose of foreign markets. This does not exclude international trade, which should be encouraged, but *with a view to avoid economic imperialism.*" Since the formulation of the objective of economic planning by the National Planning Committee the Indian National Congress gave a clearer and more progressive bias to national planning in its 1942 Quit India resolution further amplified in the Resolution at the annual session at Meerut, 1946.

"In the opinion of this Congress Swaraj cannot be real for the masses unless it makes possible the achievement of a society in which democracy extends from the political to the social and economic sphere and in which there would be no opportunity for privileged classes to exploit the bulk of the people, nor for gross inequalities such as exist at present. Such a society would ensure individual liberty, equality of opportunity and the fullest scope for every citizen for the development of his personality."

In fact the most vital political and social assumptions of an economic plan acceptable to Indian National Congress would be:—

(i) The establishment and maintenance by all peaceful and democratic means (including Strike and Satyagraha) of a Socialist Democracy in India in which power rests with peasants, workers, artisans as well as with brain workers; which means a Socialist Democracy in

which power rests in the totality of the people.

(2) The establishment of United India through the voluntary will of the masses themselves on both sides, as fulfilment of India's destiny and the promotion of real interests of the people demands it.<sup>1</sup>

It is true that the difficulties of democratic planning are numerous. The chief difficulty of democratic planning is to combine speed of decision and efficiency of execution on the one hand, and subjecting both decisions and their execution to popular criticism on the other. And yet this is the problem which this country has chosen to solve, as is evident from the speeches of our national leaders emphasising the need for maintaining freedom of the people and cooperation among various interests of our national life. "The Congress does not stand for a dictatorial regime even in the transitional period before real power is transferred to the people. For it firmly believes freedom can never come through dictatorship....It stands through and through for democracy."<sup>2</sup>

Of course when one talked of planning obviously there should be some kind of governmental agency to control. It might be hundred percent in regard to certain industries and ten percent in regard to others. But all the same, some measure of control was bound to come if there was to be any planned economy.<sup>3</sup> This control would not only restrict the freedom of capitalist producers but also of the freedom of choices of common man. While Planning is necessary, freedom is as much essential. "In the end, the general guarantee of freedom is that we all be intelligent, alert and informed, determined

<sup>1</sup> Resolution accepted this year in a Conference of Presidents and Secretaries of Provincial Congress Committees held at Delhi.

<sup>2</sup> Shankarrao Deo—Foreword to "Congress and Labour Movement in India."

<sup>3</sup> Pandit Jawaharlal Nehru—Inaugural address of the Seventh Annual Conference of the All India Manufacturers' Organisation, 1947 April.

to discover our liberties and to demand them for ourselves and for others on less than in the large and fine sounding terms of general programme."<sup>1</sup> It is in any day, however, better and safer for the millions spread in the seven hundred thousand villages of India scattered over an area 1900 miles long and 1500 miles broad that they manufacture their clothing in their own villages even as they prepare their own food. These villages cannot retain the freedom they have enjoyed from times immemorial, if they do not control the production of prime necessities of life.<sup>2</sup>

Planning, it must be noted, is by its very nature a continuous process notwithstanding periodical limits attached. These periods are mere stages intended to help in gauging the progress of the plan in execution from stage to stage and from time to time, and not because at the end of each such stage or period, it is hoped to attain a static position. No plan is final or could be rigid. Every Plan, moreover, if it is well conceived and properly given effect to, would set up its own reactions and create circumstances, which will call for new adjustments.

Planning again should be based on experience and not merely on doctrines and theories, it must look ahead and above but must have both the feet firmly on ground. This realistic attitude is very much in request in formulating or discussing the Industrial and Wages policy.

Referring to Sir M. Visvesvaraya's remarks in the Seventh Annual Conference of All India Manufacturers' Organisation that the public are anxious to know what the Government policy would be in regard to nationalisation, Pandit Jawaharlal Nehru remarked, "the question of Nationalisation should, of course, be discussed in a practical way and not in a theoretical sense.... In theory, complete nationalisation was

<sup>1</sup> Barbara Wooton quoted by G. D. Karwal in Lecture No. 9.

<sup>2</sup> Mahatma Gandhi—Young India, Feb. 7, 1931.

desirable. But if the question was looked at from a practical point of view, it was not easy to say "yes" or "no" to it. It had to be discussed in the context of today and not in an idealistic context. Ultimately it was a question of their capacity."<sup>1</sup>

A factual comparison of the working of Free enterprise and of Nationalised Economy in the two great States e. g. U. S. A. on the one hand and Soviet Russia on the other would greatly clarify a lot of confused ideas. With 6% of world's population, U. S. A. manufactures a volume of industrial goods which is greater than that of the rest of the world put together. It produces today half as much food again as it did in the years before the war. It has achieved for its people the highest standard of living known in the world's history. In the last 35 years the average expectation of life of the U. S. citizen has gone up by 19 years from 46 years to 65 years.

The national income of Russia, calculated on the basis of production per head of working population rose from 1913-1937 by 24%. During that period Japan showed an increase in her national income of 105%, Sweden 69%, Australia 63% and even mature and highly industrialised countries like the U. K. and U. S. A. showed a continuing rise of 32% and 25% respectively.<sup>2</sup>

In Britain the coal miner after the nationalisation of the mines for which he had been agitating for 20 years, would have got down to it to increase his output. While the average weekly output per mine worker in 1938 was 5.6 tons in 1946 after nationalisation the weekly output fell to 5.0 tons.<sup>3</sup>

As regards better and greater co-operation on the part of Labour in State owned and managed

<sup>1</sup> Inaugural Address, Seventh Annual Conference, All India Manufacturers' Organisation, April, 1947.

<sup>2</sup> Colin Clark—Conditions of Economic Progress.

<sup>3</sup> Financial Times, September, 2 1947.

industries it may be pointed out that strikes in France in recently nationalised gas and electricity works continued in spite of the appeals of the French Socialist Premier M. Ramadier. In Czechoslovakia, another country where nationalisation has been imposed over a large field a Communist deputy addressing the Trade Union Council on 8th July '47 complained that "while private enterprise was making full use of all available labour, labour discipline and morale had still not been properly established in nationalised enterprise. That is why in nationalised enterprise production had dropped."<sup>1</sup> In fact the problem of nationalisation or socialisation should be kept in abeyance till we have well embarked upon the road to national prosperity and economic stability.<sup>2</sup> There must be more to share so that both the labourers and the employers can take more so that both tenant and the landlord and the government can get more. Only if there is more to share can planning of any kind be successful for long.<sup>3</sup> And productivity, it is apprehended in the light of experience in foreign countries, will fall if industries were nationalised on ideological grounds without a proper and comprehensive enquiry into the maturity and working of the industries.

The question of planning in general and state ownership, state management and state control in particular leads us to a new conception of Government as a constructive instrument of the nation for planning and acting in order to safeguard and develop the collective inheritance and the social and economic welfare of the nation in peace and war. Unless some radical change in the attitude and the organisation of the administration is carried out immediately such a conception of govern-

<sup>1</sup> East Europe, 17th July 1947.

<sup>2</sup> Prof. S.K. Rudra—Lecture No. 1, On conditions of Economic Freedom.

<sup>3</sup> Prof. C. D. Thompson—Lecture No. 2, Productivity and Planning.

ment will take years to materialise. Dr. John Mathai speaking last year described our administration as one grown up through the years with an entirely negative outlook. Its main business was to prevent things being done and to maintain law and order. It was a Police State. The movement of the Police State to a Culture State demands the highest imagination, greatest tact and swiftest action on the part of our statesmen. It may not come as early as we desire, as we are passing through an extremely difficult period in which transition from war to peace economy is taking place simultaneously with an unprecedented constitutional revolution involving both transfer of power and partition of the country and the situation is made all the more grim and difficult by the country-wide communal disturbances and an impending economic crisis.

So that the Economic Plan may bring Economic Freedom to the people, economic life should be progressively revolutionised to ensure employment and a fair standard of living to every able-bodied person in the State, gradual equalisation of income by fixing the minimum and maximum limits, elimination of exploitation and monopoly interests of every description.

For a rapid rise in the standard of living there should be a planned reorganisation of the country's Agriculture and Industry. As centralisation of production leads to concentration of power either economic or political, production in the fields and factories should be decentralised as far as possible under the present circumstances and consistent with the defence and security of the nation.

To give Land to the Peasant, the removal of intermediaries between the State and the tiller should be accomplished by a particular date. While land will belong to the peasant, for increased efficiency in agriculture, the state will have the right to stop by law fragmentation of holdings either through sale or inheritance beyond a certain acreage, to stop generally the transfer of land to non-agriculturists, to set up an

upper limit to a holding to be owned by a peasant and to stimulate the growth of cooperative farming (for farming as well as marketing) by giving special facilities to those who join a cooperative farm. To meet the shortage in food position and to produce a balanced diet for the people ultimately the State should have the right to distribute land over crops on the basis of statistics collected by undertaking land use survey, soil survey and survey of water resources.

To give a fillip to Grow More Food Campaign the State should fix floor and ceiling prices by the constitution of a Commodities Corporation and collection of data regarding the cost price of agricultural products and cost of living of agriculturists. Facilities in irrigation, and distribution through multi-purpose co-operatives, of seeds, implements and fertiliser should be rapidly increased so that mixed farming may be possible offering wholetime employment to the cultivator throughout the year and an arrangement should be made so that a manhour of agricultural labour might exchange for a manhour of non-agricultural labour on a juster basis. As far as possible Zonal Sufficiency in production of essentials of life should be aimed at.

In planning Industries as far as possible there should be decentralisation. Enterprises where profit motive is absent such as Public Utility Concerns and Key Industries where concentration of Capital and labour is inevitable should be progressively nationalised. The Central Planning Authority should after due enquiry submit a programme of these being taken over by the State after payment of due compensation and decide whether the ownership should go to the Central Government or to the Provincial government or a local authority. To prevent bureaucratisation and to stimulate a sense of joint partnership in nationalised industries there may be dispersed production under joint contract, Whitley Councils and Works Committees. The programme of nationalisation will greatly depend upon the resources

of the State in men and money.

Some of the centralised industries may be placed under state control. The Central Planning Authority should examine the cases of different industries and should fix different ceiling rates of profit according to maturity of the industry, the amount of risk involved etc. The balance of profits should be distributed by way of workers' bonus and cheaper prices for the consumers. The whole problem of incentives to production will have to be viewed in this perspective of the general level of earnings and incomes. Profits of mature industries at least should under no conditions, be allowed to rise beyond the highest salaries paid by the State.

There should be state control also in the following respects :—

(1) A system of licensing of industries should be introduced with regard to location and size of industries specially for the regulation of undertakings which compete with cottage industries and displace human labour (2) capital issues (3) building materials (4) with regard to wage and labour conditions (5) motive power (6) remuneration of management (7) compulsory state audit on the basis of model balance sheet (8) prices of raw materials and finished goods.

The Central Government after an exhaustive survey of the surplus population in agriculture should give a directive to the Central Planning Authority indicating the sphere of productive effort the Central Government would like to be reserved for development through cottage industries in the interest of the balance of the national economy.

There should be a Permanent Tariff Board which in addition to its normal duty of rationalising tariff system and recommending aid to young industries of the country so that industries in backward areas like India and other Asian countries may develop a fair standard of living with the minimum interference with full employment and free trade in the world, will consider and suggest measures

on matters which have a vital influence on the economics of cottage industries and their ability to withstand competition of machine made products e.g. imposition of an excise duty on production or a sales tax on the output to ensure price equalisation, regular supply of raw materials when their import is restricted and conserving of raw materials for the use of small scale industries and removal of discrimination in railway rates.

To combine the resources of the small producer with the facilities of large scale production e.g. bulk purchases, cheap credit, orderly marketing, industrial or producers' cooperatives should be organised.

The demand for foreign exchange created by long term planning, the import of food from outside for some years, the adverse effect on balance of payment due to division of the country and the failure of Great Britain to convert our sterling balances into hard currencies make it imperative to develop immediately industries which will reduce imports of consumers' goods and increase exports.

In order to prepare a programme for industrial development the State must immediately undertake a nationwide census of national resources, capital equipment, present production, consumption needs, occupational distribution and national income.

In drawing an agreed Central Plan to which all provincial schemes are coordinated the claims of centralised large scale industries either state-owned or state-controlled and small scale industries either privately or co-operatively organised, of urban and rural needs, of private farming and cooperative farming, will have to be balanced so that all may advance without any detriment to the other, so that ultimately production may be for use and not for profit.

The Economic Plan must by all means recognise the formation of trade unions and organisation of workers in fields and factories. The workers must be increasingly associated in the administration of industry and must in

the long run participate in its control. Social Security measures including adequate provision in respect of accidents, maternity, sickness, old age and unemployment, a living wage calculated in terms of goods and services for every worker in normal employment, a progressive standard of living and opportunity for self-development must be guaranteed to workers. There must be a National Man Power Board to train personnel and allocate them to industries according to priority.

To establish just industrial relations there should be redress of grievances without stoppages of work by means of negotiations and conciliation, arbitration and adjudication. The Economic Plan in the interest of Economic Freedom of the workers must recognise their right as a last resort to redress their grievances through other legitimate methods including strikes or suitable form of satyagraha.

In the use of manufactured articles that are rationed, such as cloth, the productive capacity of each factory should be ascertained by government experts helped by labour representatives. After that each factory should be assigned a fixed quota of goods to be produced for the government. The government should distribute the goods so obtained to the consumers through controlled price shops and consumers' cooperatives the membership of which should be restricted to families below a given income level. Each factory may be allowed to produce in excess of the quota fixed and to sell it in the "free" i. e. uncontrolled market. This would facilitate gradual and planned decontrol.

As the goal of the Economic Plan, Social Justice and Equality, can be attained by a judicious levelling down and levelling up of incomes, through transference of wealth from the rich to the poor, a Taxation Enquiry Committee with suitable terms of reference to rationalise the present structure of taxes should immediately be appointed. Progressive taxation through steeper rates of income tax, corporation tax and death duties should be

introduced and in public expenditure greater stress should be laid on subsidies and state aid to the production of goods and services which enter into popular consumption. The expenditure on the administrative services should be immediately investigated into by a representative committee, as the organisation of services in an imperialist system based on exploitation is different from that of a social democracy based on decentralisation of power. While sufficient revenues should be placed at the disposal of the Central Government to strengthen it, Provincial Governments which will be mainly responsible for the administration of nation building departments should also be endowed with ample and elastic sources of revenue.

With increased production and a better return to the individual, the latter would be much better able to invest than today. These investments must be directed to further increase in production. All borrowing under the Plan should be coordinated, whether by the Central Government or the Provincial Governments or private enterprises coming under the Plan so that a uniform policy of borrowing and the management of public credit is maintained. A certain percentage of national income should be reserved for capital outlays. This percentage should progressively diminish in course of years till it is standardised at a particular figure. Appropriate institutions to facilitate this programme will have to be devised to take up such savings as soon as they are formed and to re-employ them in public enterprises. Loans from outside should be used only for directly remunerative purposes and for investment in State enterprises.<sup>1</sup>

There should also be adequate emphasis on Education, Health and Housing in the Economic Plan and suitable institutions in the Centre as well as in the provinces should be formed to execute the plans in these sectors.

<sup>1</sup> K. T. Shah—India's National Plan Pp. 117—18.

The settlement of the refugees in decent and peaceful avocations of life should have for some years top priority in the Economic Plan of the country. The Central Planning Authority while planning Agriculture and Industries should try to rehabilitate on a planned basis as far as possible these refugees on cooperative farms and cottage industries organised on cooperative lines.

Finally the important thing is to create what we have not at present got—a thinking and planning organ free on the one hand from the immense pressure of day to day administration, on the other hand from the intellectual tyranny of the departmental hierarchy and its departmental outlook and at the same time in close enough relationship with the responsible departments to keep it realistic and practical.<sup>1</sup>

The experience of the Planning and Development Department of the Government of India should prevent the mistake of revival of a separate Ministry of Planning which by indulging in paper plans will only tend to add a fifth wheel to the coach. As the government has hardly attained the necessary measure of coordination in policy-making or policy-execution, as there would be no overall planning due to the presence of Mixed Economy in the country for some years and as the constitutional framework involves joint planning (Planning will have to be a concurrent subject) by the Centre, the Provinces, the Indian States, a Central organisation for planning must, therefore, in the initial stages, at any rate, be advisory in capacity to the representatives of the people who will have to take executive decisions. The Advisory Planning Board recommended a single, compact, authoritative organisation responsible to the Cabinet as a whole rather than to one Member. It would consist of 5 members—comprising a person of standing with general experience of public affairs as Chairman, 2 non-officials with know-

<sup>1</sup> Planning Board sheet entitled "Machinery of the Government" of the P. E. P.

ledge and experience of finance and general administration and a person prominent in the field of science and technology.

Some prefer a smaller body of 3 to make it more effective and compact. According to Shri G. L. Mehta there should be a Board of 5-6 persons in which the Chairman should be a person with wide experience of public affairs, one member must have knowledge and experience of industry and trade, another of agriculture and allied subjects—specially cooperative movement in India and abroad, a third one of transport and power including fuel and one with experience of labour questions and social services along with an experienced senior official as Secretary assisted by one economist and one scientist, both of whom should have adequate training in the application of their techniques to concrete problems.

To make consultation in the formulation and execution of economic plans broadbased and a continuous process, the Advisory Planning Board recommended the constitution of a Consultative body of 25-30 members along with the Planning Commission and be representative of the various units of the Indian Union as well as different interests such as agriculture, industry, commerce and labour. As the economic development of India should be so planned as to pave the way for the ultimate development of a Co-operative Commonwealth, the Cooperative movement should be adequately represented in the Consultative body. This was a vital omission of the Advisory Planning Board.

Since many of the plans have to be largely implemented by the Units, they must have suitable machinery specially to watch the progress in the execution of the plans. Of course the Central Government must have overriding power to co-ordinate and to check overlapping, waste and conflict.

Separate planning groups or officers and Advisory Boards may be attached to the Central as well as Pro-

vincial Government departments, who must work in cooperation with the Central Planning Commission.

As the formulation of the plans and their implementation cannot in practice be divorced, since the plans have to be adjusted, altered or modified as they are worked out, Advisory Planning Board rightly laid down that watching and stimulating progress in regard to the execution of the plans should be the function of the Planning Commission. It would be a grievous error to leave the execution of the plans to the Secretariat who fondly believe that to issue a circular disposes of the problem to which the circular refers. The permanent staff of the Planning Commission should be selected with due discretion. These men must have a missionary zeal in the work of planning and must be inspired with a *esprit de' corps*. Gutkind asks—and the question is pertinent today in India, "Where are the men who can carry this enormous work to success? Plan the planners is the answer. The education of planners should be made part and parcel of the National Plan."<sup>1</sup>

U. S. A. also has recognised this need. The American Society of Planning officials together with the Americal Institute of Planners have edited a Report on "Personnel for Planning." This report defines a planner as "a specialist in seeing the relations between and correlating the work of specialists." (*Ibid* pp. 54, 56.)

Shri G. L. Mehta rightly remarks that it would not be advisable to depend exclusively on the Civil Service which has conventions and traditions which in some respect are the very antithesis of what planning requires. Civil Service in any country hardly breeds "such informed men with that kind of Benthamite inventiveness" that make Planning effective and successful.

To keep all parts and items of the Plan in step so as to maintain an all round rate of progress as laid down in the control figures of the Basic Plan a number of econo-

<sup>1</sup> Creative Demobilisation Vol. I. op. cit. P. 35

mic institutions should be simultaneously brought into existence as integral parts of the Planning Machinery. They may be a Central Statistical Office, an Inter Unit Commerce Commission, a National Road and River Board, a National Committee of Public Health, A National Man Power Board, a Union Electric Grid, a Central Council of Research for Industrial, Agricultural, Commercial or Financial matters and other machineries of the kind.. The Planning Commission must have a skilled permanent staff for investigation and research. The services of such extra-governmental agencies as Universities, research institutes, scientific bodies as well as individual experts should be utilised by the Planning Commission. Such institutions and experts are generally free from some of the inhibitions which the permanent secretariat may suffer from. In progressive countries it is a general practice of the government to assign particular jobs to the extra-governmental agencies for enquiry and survey. In 1944 the School of Business Administration at Harvard in U. S. A. had been assigned the work of enquiring into the whole problem of surplus tonnage of the American merchant marine.

Finally, as the programme of planning has to be carried out in factories, fields and farms, realisation of the targets laid down in the Basic Plan will depend on the consciousness of the people and of the cooperation of industry, labour and farmer. More than anywhere else leadership is wanted to make the plan and the programmes work. They will not work if they remain the governments' plans. They must become the plans of the nation and animate the constructive endeavour of the managements and workers who carry them out.<sup>1</sup>

<sup>1</sup> Sir Oliver Franks—Central Planning & Control in War & Peace.

Lecture No. 1

## CONDITIONS OF ECONOMIC FREEDOM

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### *Problems of Unprecedented Gravity:*

These are historic times. This period may prove to be one of the most momentous in India's history. The transition from the status of dependency to that of sovereign authority and national independence is unquestionably fraught with grave dangers. The highest type of statesmanship will be called for to make the transition smooth and successful. Everyone will agree that these are tragic times through which the world itself is passing. Political, economic and social problems of unprecedented delicacy and gravity are facing our leaders. Emotions and passions of demoniac ferocity have been let loose in the country, disintegrating society almost to the foundations. If political freedom is to be preserved, and if the objective to raise the economic content of life of all peoples and of the under-privileged in particular is to be achieved, a great deal of systematic and sober thinking will have to be undertaken to find solutions to these manifold problems. I, therefore, presume to congratulate the Economic and Political Research Department of the All India Congress Committee, particularly Acharya Jugal Kishore, the General Secretary, A. I. C. C. and Mr. K. Mitra, Secretary of the Economic and Political Research Department, for having inaugurated these Series of Lectures on political, economic and social problems. Debate and discussion is the essence of true democratic process. This method and

not the breaking of heads should be employed in the solution of our various national difficulties. In these Series, the Congress have given the citizens of Allahabad the opportunity of a forum for the study of these questions. It is high privilege that some of us of the University have been called upon to assist in this service. I would like to mention in particular, the name of my respected colleague, Professor C. D. Thompson, who together with Mr. Mitra, have taken considerable pains to formulate these Courses of Lectures.

*"The right to live and the right to work."*

I believe the essence of my subject, namely "Conditions of Economic Freedom," could appropriately be summed up in the dictum "the right to live and the right to work" enunciated by Louis Blanc in France about 100 years ago. This is the goal of all economic endeavour. It is indeed the economy of the life of man from "the cradle to the grave". There can, however, be no absolute condition of economic freedom even in the terms of "the right to live and the right to work". Environmental and technological, if not political circumstances, determine and considerably modify these conditions. Yet in the last analysis in the "right to live and the right to work" resides the indispensable requisite for the freedom of the individual. Society, and especially the State, must see to it that individuals of all ranks get the necessary facilities to live a full life and have the chance to follow such occupations for which they are inherently fitted. If these two propositions are satisfied, it is evident that Conditions of Economic Freedom would be, on the whole, achieved for most men.

As has been indicated conditions of economic freedom are not absolute. They are relative to the period to which they relate. Nations either live through a period of peace or emergency. In fact some cynics hold the view that for modern nations War or

preparation for War is the normal, while the enjoyment of peace an abnormal experience. Peace is an interlude to War. Peace can no longer be taken as the normal state of affairs amongst the nations of the earth. Be this as it may, it is obvious that economic controls cannot be the same in the two different situations, namely, in a period of emergency and in a period of peace. Two entirely different sets of controls are inevitable. Undoubtedly, the freedom of the individual must be limited during period of emergency, if not completely controlled. Society otherwise may be reduced to chaos. Periods of war and times like these through which the country at present is passing, are of grave emergency. They require much, if not complete control. But in normal periods, economic life should be free—environmental and technological conditions permitting.

### *Three alternatives:*

There are on the whole, three important phases enunciated by scholars that determine the nature of control. On the one hand, we have the school of thinkers who hold to the view of "laissez faire laissez passer." Under this social philosophy the individual is granted the completest freedom of choice and action. He is left to struggle for himself, to sink or to swim. The State interferes the least. The old slogan "To govern best is to govern least" is thus fulfilled. But under present circumstances of financial, organisational and managerial, as well as technological achievement it is hardly possible to follow the dictates of "laissez faire" philosophy. The under-privileged under modern methods of production, require special safeguards. These have to be secured by requisite legislation. On the other hand, there is the school of thought that is completely given over to the ideology of totalitarian control. Under this system of social organisation, the individual is reduced almost to a cipher. He acts as a mere robot. He is the bond-slave of the Almighty.

State. The individual is completely depersonalised. Such control while necessary in periods of national emergency, cannot be tolerated in times of peace. This type of centralised authority would lead us to absolute Dictatorship. Such an order of life would be completely contrary to democratic principles. It therefore seems best that we should follow a system of limited controls. In some sectors of the economic life of the country, there should be complete State control, possibly with State ownership. While on the other hand, large areas of economic enterprise should be left free for individual and private effort. We should accept the middle path—a system of Mixed Economy.

#### *Conflict of Ends:*

It is evident that unlike times of emergency as against times of peace, social or national objectives are not similar. For instance, in times of emergency, precipitated by foreign aggression, the objective of the State is definite. The defeat of the enemy, at the earliest possible moment, is the sole end in view. All resources, man-power and national effort are exclusively directed to secure this goal. The life of the nation is to be safe-guarded. It must be made free from fear of foreign subjection. Economic controls therefore can be applied without hesitation for the attainment of this objective. On the other hand, in periods of peace, the social or the national objectives are not so clear. Society is free. Individuals are at liberty to act in pursuit of their own ends. Social ideology is not clearly enunciated. Consequently, legislation cannot be precisely formulated. Controls cannot be applied to unspecified ends. During peace, conflicts arise within the body politic. Various ends or objectives are in competition with each other for fulfilment. The enquiry of the social philosopher arises from this very fact of divergences of social ideals. The ways and means also become subject of debate. The achieve-

ment of social harmony with the least encroachment on personal liberty is the supreme concern of the scholar as well as of the administrator. This is by no means a modern problem. In the sphere of human values there is hardly anything new. From time immemorial the consummation of the Just Social Order has been the supreme problem for the finest minds in antiquity and in mediæval times to solve. Humanity still seems doubtful in accepting the findings of these various social philosophers to this question. So it is that in times of peace that the objectives of life are not easily discernible. Life after all is not mechanical. It is erratic dynamic, and unpredictable.

*Two objectives suggested:*

But in our present Indian situation, two objectives seem to be fairly clear. These should be pursued by the State at all costs. These are first full military preparedness. We must secure complete internal security and obtain adequate Defence against foreign aggression. Economic life cannot function during periods of civil strife or insecurity from foreign invasion. Economists are usually pacifists. It is, therefore, matter of chagrin that I should be advocating such an end as our first objective. But the realities of both the internal and the international situation must be faced. Nobody who follows world political trends can be oblivious of the inherent dangers to peace. Internal security itself is in extreme jeopardy. It is, therefore, inevitable that a large part of our resources as well as man-power should be diverted towards the building up of an adequate Police and Defence force. While we whole-heartedly subscribe to the institution of the United Nations Organisation, and pledge loyalty to its various bodies, it is yet the first duty of the State to arm itself, in due proportion, for the maintenance of national integrity. The State must govern. It must secure the necessary conditions of internal security for economic

enterprise to have a chance. It is, therefore, obvious that Governments both at the Centre and in the Provinces must strengthen the armed forces in order to preserve law and order within the community. Happily, this duty is fully realised by our Governments.

*Next twenty-five years:*

The second objective to my mind is that the State should endeavour to enlarge the wealth of the nation, and arrange for its better distribution amongst the under-privileged. The objective should be the amelioration of the poorer classes. This should be arranged equitably both for our urban as well as for our rural peoples. There can be little doubt that our Governments in the Indian Dominion, are greatly concerned about the enlargement of the economic content of life of the masses. The conditions of economic freedom to be secured for our people are, therefore, clear. Indeed, it would appear to me that for the next 15 to 25 years, the major resources of the Nation must be directed for the economic and social uplift of the masses. This period must be regarded as a period of War or akin to War on Poverty. Government must take all necessary initiative, and control requisite to fulfil these two essential objectives indicated above. It is heartening to realise that this is fully acknowledged by the present Governments. Their plans and programmes for economic development have these achievements in mind. Whether it be the problem of the installation of hydro-electric power plants or extension of irrigation or the matter of prevention of soil erosion or the development of agriculture, improvement of cattle wealth, or forests and fisheries, expansion or the intensification of industrialisation or extension of transport by road, rail, river or air, the broad social objectives seem to be clear. It remains to be seen whether the Governments will have the necessary respite from internal strife or foreign complications to implement

their economic and social programme.

*Two fundamental entities:*

Conditions of economic freedom must necessarily be applied to certain social entities in the body politic. Apart from many such entities that can be taken up for examination I propose to consider only two. These are the Individual and the Family. If the individual and the family can be accorded conditions of economic freedom much will have been gained. These two are the fundamentals of any social order one can envisage.

*Adequate Nutrition:*

As far as the individual is concerned, the following requirements must be guaranteed for his economic freedom. First and foremost is the problem of nutrition. It is a fact of common knowledge that a large section of the community, mainly the masses, are inadequately nourished. A substantial section of the population never has a full meal all through life. Not only quantitatively, but qualitatively also, the diet taken is thoroughly deficient. Nutritively it is hopelessly unbalanced. The consequence of such inadequate intake of food to the mass of the nation is reflected in the woeful vital statistics of the country. India leads other nations of the world in the matter of high percentage of infant and maternal mortality. It also has the lowest figure for longevity. The wastage of life can be easily gauged. Probably in no section is the figure of mortality more alarming than amongst women in the period of reproductivity. The life blood of the nation is thus being drained from one of its most vital parts. It is, therefore, essential that if we want to safeguard conditions of economic freedom, we must see to it that the masses receive adequate nourishment throughout their lives. Indeed, pre-natal conditions must be safeguarded both for the infant and the mother. It has been declared that fitness of the unborn child is greatly determined by the factors which

surround the mother during the pre-natal period. Adequate food and nourishment for the mother, both in the pre-natal and post-natal period is probably even more essential than in the subsequent periods of a child's life. The Bhore Committee has very ably and clearly brought these matters to the fore for the consideration of the public and Government. Indeed, many other Plans and schemes suggest the same national need. It is necessary that we should energise the productivity of the soil and of our cattle for the supply in more abundant measure of the food essentials required by the nation. We must also see to it that the necessary arrangements are put through financially and otherwise which will make the requisite quantity of food available to the low-income category citizens. We have, however, to realise the over-ruling fact that we are a poor country. The resources of the State are not indefinitely elastic. The taxable capacity of the people is not unlimited. The provision of adequate nourishment to the millions of the population is a task of gigantic dimensions. It will require financial resources far beyond our capacity to pay. It would, therefore, seem necessary to restrict the subvention of food grains and other food-stuffs for even the low-income categories of the population to selected urban and rural areas. We have to cut our coat according to our cloth. Inevitably discrimination will have to be exercised. We cannot assume all at once, responsibility for the entire ill-fed peoples. Appeasement of hunger is an inescapable obligation resting upon the State. Prevention of death by starvation is a recognised duty. But eradication of under and malnutrition is also a dynamic business of modern Governments. But it can only be performed piecemeal.

#### *Appropriate Instruction:*

After nourishment must come the problem of education. We know that the literacy of the peoples and of the masses in special stands at a low level. If

we want to industrialise the nation, as seems to be the objective, we shall have to adopt modern technique and secure up-to-date equipment. In the manning of high speed and high capacity machinery or in carrying through the new processes brain and not brawn is required. The man behind the machine must be educated. He must be thoroughly trained. The manipulation of the modern instruments of production is a highly skilled and intelligent job. The expansion of general education and technical training in particular is imperative. Fifty million children between the ages of six and eleven still receive no type of instruction. Economic freedom cannot be secured if the mass of the people remain unlettered and untrained. Man is not a mere animal. He has not only to exist. He must live. But even to exist these days man must learn and must Know How. It is, of course, not presumed that everybody should receive identical facilities or opportunities for education and instruction. Opportunity must be appropriately fitted to aptitude. It is interesting to note how concerned even the advanced nations of the world are in this matter. The British Education Act of 1944, and the recent reform in technical education put through in Canada and Australia gives point to the urgent need for making suitable provision for training of our boys and girls so as to fit them for life. Without such training, economic freedom would amount to little. These are days of keen competition and technological efficiency. The State cannot escape its responsibility to provide adequate opportunity for its citizens to secure necessary instruction.

#### *Gainful Employment:*

This also implies that we must so organise our economic system that it gives due opportunity for the employment of peoples. The spectre of involuntary unemployment has been the bane of capitalism in the past. It is also the fear of the future. The State must

have plans to secure worthwhile employment for people when they are caught up in the whirlwind of depression. We must see to it that people who are willing and fit to work, get suitable opportunity to do so, at remunerative rates. In India, the problem will not be merely of unemployment as it is understood in the industrialised countries of the West, but will be as it has always been, more a problem of under-employment. In our economy 72 per cent of the population is still directly dependent upon agricultural occupations and pursuits for the means of livelihood. Periodicity of trade fluctuations and agricultural and industrial depressions, caused by various factors, throw millions of cultivators and peasants, and particularly landless labourers into conditions of chronic under-employment. Their standard of living already low, is made lower still. In many instances it falls below subsistence level. Measures for the scientific development of the soil and increase of yield per acre and per animal and man are therefore projections in the right direction. These will, ultimately, improve the conditions of employment of those who depend on agriculture for their living. We, however, cannot be oblivious of the fact that we cannot, as if by magic, banish poverty and penury at one stroke. We must be prepared to realize and accept the fact that for a generation or two to come, we shall have to face periods of chronic unemployment as well as under-employment for a large section of the population. Industrialisation will not be capable of solving the problem of sustained employment or even banish poverty as readily as many seem to assume. In this connection, therefore, it may be said that there is yet great place for the kind of economy which Mahatma Gandhi preaches in his concern for village folk. Arts and crafts and domestic types of industry, especially hand spinning and hand weaving have a future in our type of economy. Indeed, with expert guidance, technologically and industrially, better marketing and more efficient financial assistance, diversi-

fied and decentralised cottage industries, have an assured future. We know that even in our present economy, next to agriculture, hand spinning and hand weaving is the most important source of providing gainful occupation for the mass of the population. Thus with enhanced opportunities for employment, both on land and in industry, we can look forward to the improvement in the economic status of the workers as a whole. Thus only can economic freedom be secured and mean something concrete to the individual. An underfed, unlettered and unemployed man is worse than a beast of burden. Political freedom would mean little to him. He must have wherewithal to feed, and clothe himself and his family and have suitable employment.

#### *Suitable Housing:*

The next unit that deserves our consideration is the family. As with the individual, so in the consideration of the matter of the family, I propose only to select a few aspects for our consideration. In my judgment, there are three important features that must be insured for the proper functioning of the family. Unless adequate provision is made in this regard, it would appear to me that economic freedom will not have been adequately secured for the functioning of the family. The attention of the State, therefore, is called to this point. The first requisite is that of an adequate house. It is apparent to everybody, particularly in our cities and towns, that there is chronic scarcity of houses. This is particularly so for families of low income categories. Surveys that were conducted in certain towns and cities before the war clearly indicated the sweated conditions under which large sections of the population, particularly industrial workers were housed. We are aware that during the war and after, the situation has not improved in this regard. In every town and city, and particularly the industrial, the position is chronic. In the rural areas too, the position is not much better.

Students will know from the Census Reports of the last twenty or thirty years and other documents, of the growing seriousness of the position in our villages. The Census Commissioners, especially for the years 1921 and 1931, called pointed attention to the deterioration in the housing conditions in our villages. Every inch of ground that could be put under the plough was so being utilised. This left little room for expansion of the Abadi area for humans. Such is the intensity of pressure of our growing population. Unlike houses in the towns, houses in the villages are shared not only by humans but also by animals. The disgienic and insanitary conditions can well be imagined. In certain provinces in particular, the over-crowding in the village Abadi is reported to be more intense than in our slums and bustees. Happily, both the Central Government and almost all the Provincial governments are fully alive to the national need for providing housing facilities for the expanding population. Attention is being given to this aspect of the question. Financial resources are being husbanded to meet the need for housing over the next ten to fifteen years. The Central Government has instituted an Housing Agency to give technological advice to the Provinces as well as to corporations and municipalities that ask for such assistance. It is to be earnestly hoped that the political and communal turn of the situation will permit our governments to push forward with their plans in the matter of providing houses for the low income groups. It should command high priority.

The Central Government have a good grip of the problem. Apart from the matter of space per average family, material to be used and the like, they are advocating instalation of standardized amenities in the different grades of houses, especially for the low rented categories. I would like to stress this matter for special consideration particularly for urban houses. Service facilities must be supplied and built into the houses

from commencement. Both from the point of view of social hygiene and personal conveniences this will become of increasing importance. Investigation is required in all such constructional projects. Builders, engineers and town planners and architects must visualise the individual and familial needs of the citizens twenty to thirty years hence at least, if not for a longer period ahead. Governments and local bodies have the matter of rents much in mind. With land values and building costs up, they are concerned how to meet all these requirements and yet keep rental of the cheapest type of blocks within the capacity of the low income families. Ingenuity and high degree of efficiency are required to meet this grave social need successfully. Resources of the State and the local bodies will be strained to the extreme limit. Active co-operation of the citizens, in different groups will have to be enlisted. Co-operative assistance spread over a decade or so, can achieve astonishing results.

#### *The Housewife:*

The next entity of utmost importance in the consideration of the family is the housewife herself. Most women in our country are married. Even if not married or issue-less, they play an indispensable part in the economy of the household. Almost half the nation is composed of women. On them rests the heavy burden of rearing children and bringing them up. They serve the nation at its most vital need. This service is unpaid. Vast majority of the women have also to help the bread-winner directly or indirectly in his work. Peasant women or women of the cottage craftsmen perform heavy duties in collaboration with their men. This is in addition to their domestic functions. They very much fulfil the three K's so dear to Hitler's heart. Yet besides they render substantial service in the field of economic demand. The industrial worker has his eight hour day. When

asked to stay overtime, he is paid at double rates. Night work is usually at double rate. He has a six day week, gazetted holidays and statutory holidays in which to rest and recuperate. Not so our womenfolk, especially in which of the working and the low middle classes. From girlhood to grand-motherhood they have "continuous process" work to carry through. It is a seven day week for them with full 24 hours in each day. Except when they fall ill, there is little rest for our women. In my youth I greatly admired our women. But when I entered wedlock and raised a family my respect for women kind knew no bounds. Sincerely, and incessantly have I rendered thanks to the Almighty that he spared me the privilege of being a woman ! We can hardly realise the sheer physical strain that women have to undergo. Wifehood and motherhood are functions that involve heavy drain of physical strength and nervous energy. No wonder, as has been indicated above, that the figure for maternal mortality for our women is about the highest in the world. I wonder whether we men take sufficient note of it. It is true that in the later decades of life women outnumber men. By the time they survive into those decades presumably they become tough! It is a case of survival of the fittest. But at what national cost ! The misery and the suffering of it cannot be gauged by a mere study of cold statistics. Therefore it is incumbent upon us to consider how we can spare our womenkind. The situation is serious and requires careful consideration. I am hardly competent to elaborate particularly the intimate and medical type of provision which have been advocated by several authorities for adoption both by families themselves and the State. I would, however, advocate the adoption of all manner of labour saving devices and various modern gadgets for saving the labour of women in the discharge of household drudgery. Some labour saving devices are not so anti-social as some old heads would have us believe. Men have dis-

liked the rapid disuse of the handmill by women folk for grinding of corn and the like. Themselves they are not slow to take to the bicycle, instead of steadily trudging to and from markets with their headloads! Modernised kitchens and ovens with simple kitchen implements, sewing machines, simple implements like handpumps, cutters and the like could save a lot of dull, back-breaking jobs. Indeed, if necessary, we should change our dietetic habits to save women the ceaseless task of finishing the preparation of one meal and engaging in the next. When we get into the era of cheap electric supply for domestic use, as is possible when we have developed our hydel projects, many of these dreams will pass into realities. Much of human energy will have been saved and time gained. With drive for literacy, women would wish for leisure to read and to engage in cultural pursuits. Women add to the tone of the family. Every home in every village will become a little temple of light and delight. True India, helped and enlivened by our literate women, saved of unnecessary toil and strain, will spring up into full bloom in our countryside and be a blessing manifold to the nation. This is no Utopia. Several countries even today enjoy the blessings of literate and cultured peasant homes, thanks to education, labour saving devices and the leisure secured for the women. Children will be better cared for and domestic life move into a new era of charm and grace.

It is apprehended that hard labour ended, leisure secured, would lead to idle hands and unoccupied tongues to wag in scandle mongering and other useless pursuits. This is possible. Frequently the example set by women of the leisured classes is not inspiring. But we are of the view that these changes will not come about overnight. They will take time. Education and general literacy will also come hand in hand with time-saving and labour-saving devices. The change-over will be slow. It will have the background of hard

labour behind it to keep it wholesome and active. Peasant women and women of the lower middle-class, will have enough and to spare to keep them well occupied in spite of the several mechanical appliances. We need have little fear on that score.

*The Family Budget:*

The final item about the family that I wish to examine is the budget. After all if we are to have a stable, prosperous and care-free peoples, it means in the last analysis the solvency of our hearths and homes. It is not the State itself that must have balanced budgets in the long run, or provinces and trading houses and business concerns, but the families of the ordinary men and women that compose the nation. The burden of rural indebtedness we had before the war was a crushing burden upon our peasant families for instance. It acts as a handicap and a millstone round the neck of the nation. Forward movement and development is crippled. What our women of these categories perform in feeding, clothing and maintaining the social integrity of the family is incredible. Self-respect and decency is maintained. The orphan, the aged and the permanently incapacitated, not to mention the voluntarily unemployed of the family are maintained. There is no scheme of social insurance that can lift this load off their shoulders. Family tradition demands that help must be given. Even the army of mendicants and religious alms-seekers is fed and assisted. To balance the family budget on slender and uncertain income is performance that these housewives perform, year in year out, with quietness and ability which is at once as astonishing as it is respect-compelling. Few Chancellors of the Exchequer could remain in office on such terms and yet keep out of Bedlam. But our women keep millions of our families going. But no just social order should tolerate this. Our objective must be, as was indicated in the beginning to redress the mal-distribution of our

wealth and income. With rising cost of living the situation is becoming intolerable especially for those who are on low and fixed income basis. One method is to introduce Minimum Wages legislation. This is being considered by Government. It is hoped to cover not only certain industries and trade, but also some categories of agricultural labour. This will take time. But it is a step in the right direction. It is, however, only preventive action. Positive measures are needed.

One important step will be the promotion and expansion of rightly constituted and properly operated Trade Union organisation both for industrial and agricultural labour. If bargaining power is strengthened, much of exploitation would cease. It would lead to more equitable adjustment in the distribution of the national dividend. Inherently it will also lead to search for more productive activity. In this will be the source of the real prosperity of the peoples.

### *Social Security:*

The other necessary action that the State must embark upon is the application and inauguration of certain types of social security schemes. But in the contemplation of such measures we are at once up against the perpetual paucity of resources. Yet if we cannot embark upon all manner of social insurance services, we can adopt one or two. I would plead strongly for the study of the provision of OLD AGE PENSION SCHEME to be applied universally without the provision of the means test. It should be on a non-contributory basis. Those who wish, can join a Contributory Insurance Scheme. For this purpose I would like to see the erstwhile Salt Tax reimposed. The resources of this tax should be utilised to finance an OLD AGE PENSION SCHEME. I would also tax or place a cess on all religious endowments or incomes. Much charity yet flows into our religious organisations. Some at least of these resources should be diverted to relieve the dis-

tressed aged. Pensions could be disbursed individually. But Homes for the Aged could also be provided. Institutional aid is scientifically more satisfactory, and economically more effective. If manned by persons who have a sense of service, they can also prove truly homely. With growing struggle for existence especially in our urban areas, the burden of the aged is beginning to be felt more than ever. Housing difficulty to mention only one consideration, is assuming serious proportions for our low and medium income groups. Psychologically and socially also old time sentiments are beginning to wear out. Egotistical concepts are growing and sense of family obligation is weakening. It would make for sense of independence and happiness if the aged had their own source of income. Strain thus lifted from the family resources and energies could be better devoted to the care of the children and the adolescent. All round it should make for better health and satisfaction if a system of OLD AGE PENSION could be inaugurated. Other schemes like permanent disability, sickness, unemployment, widow and orphan benefits could follow later. I would, therefore, earnestly commend to the Central and Provincial Governments and to the Local bodies to have this matter carefully scrutinized. Pensions should be awarded without sex discrimination. We are people with low expectation of life. So we may begin our pension at 60 years. But if the burden proves to be too heavy we could start at 65 or even 70 years. But we should make a beginning. Destitute aged are a stigma on the nation.

#### *Some Vital Economic Institutions:*

Apart from providing measures of social security the fundamental necessity is to vitalise our various economic institutions to make them more worthwhile. We have to enquire whether in the light of modern technique old usages and traditions are adequately serving our purpose or do they demand change and modi-

fication. Our natural resources, fluid assets, our financial and commercial institutions, organisational and managerial systems are of the type that will best serve the nation, or whether reform or revolution is required. Governments are not oblivious of these matters. For instance, they have attacked without much lapse of time the institution of Zamindari by legislating for its abolition. It is futile to debate whether this was the only means by which the objective in mind could be best gained.

The need for credit in every field of economic activity is immense and ceaseless. Old channels have served well their day. The mechanism of credit specially for medium scale business and for agricultural purposes require particular attention. Government and the Reserve Bank have these matters under examination. Certain institutions like the Industrial Finance Corporation have been proposed to be able to provide better aid to middle-sized undertakings. There is also the basic problem of State versus Private ownership of capital and enterprise. Tendency towards socialisation or State ownership and management is unmistakable. In some sectors for instance in railway transportation, this has been achieved for some years past. Other industries are being considered for being so taken up. We have already indicated that during the present crisis, specially for the next five years at least, Government should not take any further action in this direction. Production must be carried on without cessation. Any interference with the process of production would mean disaster.

So the problem of nationalisation or socialisation should be kept in abeyance till we have well embarked upon the road to national prosperity and economic stability. I would suggest that if we wish to impart confidence in the mind of the financiers, investors and entrepreneurs, we should make a clear declaration to this effect. Lack of policy has affected enterprise. It has retarded investment and development on private

account to national detriment. Such should not be the case. As for labour I think it cannot be denied that governments have lost no time to put on the Statute book many pieces of enactments that are distinctly beneficial to Labour. Much remains to be done. But our labour cannot expect to attain in a couple of years what it has taken for more powerful and prosperous nation to build in decades. Without loss of autonomy or dignity, labour must bend in the present crisis to help in accelerated production and see by peaceful means that greater justice is meted out to it. In Works Committees and other Statutory provisions Labour has unassailable position to make its voice heard and its grievance redressed. The old days of exploitation, especially in modern industries and public utility services seem to be a matter of the past. The right to strike should be preserved, but used when all other means have been exhausted. With danger from within and without, it is expected that Labour will take a long and patriotic view of matters and come to the help of the nation in its hour of need. Thus with its collaboration, joined to the efforts of the other vital sections of the community, much can be achieved in making Economic Freedom a reality to the under-dog.

Lecture No. 2

## PRODUCTIVITY AND PLANNING

By C. D. THOMPSON  
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At the first lecture of this series on "Economic Freedom and Economic Planning," which was inaugurated by Prof. Rudra, you received three type-written sheets giving the most important statements of the Congress programme and the Congress platform in regard to economic planning. I may say that I have always been opposed to planning, but these statements of the Congress point of view have almost persuaded me. I may say that I find myself in almost complete agreement with the Congress platform, with the exception of one statement which I am told has since been modified. I do not think it would be wise to exclude foreign cloth altogether, as India has a large trade in Kashmir shawls and numdas, Farrukhabad prints, Mirzapur rugs, and many others which might be excluded from foreign markets if we excluded foreign cloth altogether.

I would like to call attention to the following statement in Congress papers:

"The State shall own or control key industries and services, mineral resources, railways, water-ways, shipping and other means of transport." In other words key industries and natural monopolies, to which many economists are agreed even in countries which believe in free enterprise.

"Substantial reduction of rent and revenue demands, a just allotment of the state expenditure for the social, economic and cultural amenities of villages." The best

way, I think is to combine these two aims by letting the villagers keep a large part of the present land revenue for their own education, health, recreation, and so forth.

"Protection against the consequences of old age, sickness, and unemployment."

"Industry and agriculture, the social services and public utilities must be encouraged, modernised, and rapidly extended in order to add to the wealth of the country and give it the capacity for self-growth, without dependence on others. But all this must be done with the primary object of benefiting the masses of our people and raising their economic, cultural and spiritual level, removing, unemployment, and adding to the dignity of the individual."

"So that India may be free to develop into a co-operative commonwealth."

"While maximum wealth production should be aimed at, this is not to be done at the cost of creating fresh unemployment."

"While individualist farming or peasant proprietorship should continue, progressive agriculture as well as new social values and incentives require some form of cooperative farming suited to Indian conditions."

"In the past, rural economy has suffered, and the town and city have prospered at the cost of the village. This has to be righted and an attempt made to equalize, as far as possible, the standards of life of town dwellers and villagers."

"The power resources of the country have to be developed rapidly, and the vast energy that is represented by the great rivers of India must be harnessed and properly utilized so as to ensure the development of land and industry as well as the health and well-being of the people."

"Industrial co-operatives should be encouraged as being specially suited for the development of small scale industry on a democratic basis."

Now let us see what can be done to plan industry and

agriculture so that the increased competition for labourers both skilled and unskilled, will raise their wages and their standard of living in town and village alike.

It appears that from the earliest times there have been many attempts at planning. At the very dawn of history the Raja of Jhusi, who lived not far from here, is reported to have fixed the price of every commodity at a pice a seer. That may be merely a legend, but there are many authentic records of later attempts, both in Asia and Europe. In the 12th century, the Italian cities fixed the minimum and maximum prices for every staple commodity. In the 16th century, nearly every important country in Europe tried its hand at planning but in those days economic science was still in its infancy and most of the plans ended in failure. During the last two hundred years, economics and Science have been advancing side by side and making tremendous discoveries. It must be admitted that Physical Science has far outstripped Economics, although it may be suggested that if the same amount of money had been spent on economic research which has been spent on physical and chemical research the story might have been different.

Formerly economists believed that great inequality of income was necessary if a nation was to accumulate wealth rapidly. Now economists believe that almost all nations would be happier if the national income were divided more equally. Formerly they believed in proportional taxes, taking from the rich and poor alike,—10 per cent or some other fixed proportion,—hoping that the rich would save and invest their excess income. Now nearly all economists agree on progressive taxation, which takes from the rich a higher proportion than from the poor, so that money is taken from the rich to pay for the education, the training, and the security of the poor. Formerly it was thought that wealth consisted of land and buildings, machines and ships. Now we believe that the greater part of a nation's wealth consists

in man, in the muscles and brains and character of trained and capable men. Formerly private property was almost sacred but human life, too often, had no value. Now it is thought that both the property of the rich and the labour of the poor are held in trust for the welfare of all the people. When it pays traders to hold back wheat to depress the price at the harvest, when it pays to throw milk into rivers, then planning becomes essential.

Thus many economists in all nations have come to the conclusion that government must plan. But the question still arises whether we yet know enough economics,—enough of the reactions to planning and individual incentives to labour, enough of the relations between recreation and production,—to enable us to plan without increasing poverty. In introducing this series of lectures on "Economic Freedom and Economic planning" we have considered it best to face the problems frankly and to examine whether ways have yet been found which enable us to overcome the difficulties which thwarted former planners.

First of all and above all we must keep one fact clearly in mind, that planning must increase production and the total welfare of the nation. Planning which increases famine, famine of food, or famine of cloth, or famine of house-room, or famine of any other good thing, will not long be tolerated. It is essential to increase production, but how, in a country as vast as India, can we increase the food and the cloth and the house-room and the happy recreation of all the millions and millions and millions of poor and unskilled people. This can only be done by increasing productivity, by increasing efficiency so that each labourer will produce more, indeed many times more than he now produces in a day or an hour. He will work eight hours a day instead of ten; he will work five days a week instead of six and at less fatiguing work; he will have three times as much as he now obtains of all that he desires.

Is this a dream? Is this the imagination of some

fanatic? What can one say? Seventy years ago in America, wages were just one quarter of what they are today. And here I speak of real wages, not of money wages. Money wages multiplied much more than four times. With his wages to-day he can buy four times the goods that could be bought before. Of course he does not eat four times the food, but instead he has many many other things which his grand father never dreamt of. How is this possible? It is because his productivity has increased four-fold. In the same very hours, with the same work, he can produce four times as much wheat, four times as much cloth, four times as many houses. Besides many other things, he has radios, bath-rooms and cinemas which his grand father never saw. As I have said he does not eat four times as much—rather the food is produced by one-fourth as many farmers—while the other three-fourths produce motor-cars and tennis rackets and electric bulbs. He could now have four times as much, but he has preferred to work only three-fourths as many hours in order to get time to enjoy these new things, and he takes only three times as many goods with some 20 to 24 hours leisure every week.

Of course all this would not have been possible except with the inventions which have taken place during the last two hundred years. An invention means that the same quantity can be produced with the output of less human energy, or that more of the same thing can be produced with the same human energy. Inventions thus make it possible to produce a greater quantity at a lower cost and with less labour, giving the labourer leisure to use these additional things which his own labour has produced. Of course there have always been employers who try to buy up the patents of new inventions. Some of them try to keep the quantity the same, to produce at a lower cost, and to keep the profits all for themselves. But this is possible only if they have a monopoly. If any other producer can use the invention, he can lower the price and sell thousands and thousands

more to people who were too poor to buy at the old price. Too many employers looked upon inventions as "labour saving" inventions. Pigou and other economists have called them "labour enhancing" inventions because these inventions make it possible for every labourer to produce more. For every labourer should be employed, if not in that industry, then in other industries whose demands have increased because people are getting the first invention cheaper, and frequently the demand is so elastic that it increases faster than the price falls and more labourers are employed with the help of the invention, even in the same industry, than were employed before. The trouble with the older employers was that they thought of a fixed quantity to be divided. They thought that the labourer must take less if they were to take more. Such an idea would be fatal to planning. We must understand this clearly. It is not a question of sharing the same wealth in different proportions. There must be more to share, so that both the labourer and the employer can take more; so that both the tenant and the land-lord and the government can get more. Only if there is more to share can planning of any kind be successful for long.

Under a true economy, one man's profits are not another man's loss, but profits and loss alike are shared by all. There has been a good deal of misunderstood talk about getting rid of profits. This unfortunately can never be done. Profit and loss are merely a matter of arithmetic. The difference between the selling price and the cost is the profit. The difference between the cost and the selling price is the loss. If a man makes cloth and sells it for more than he has spent, he has a profit, but if he spends Rs. 20/- to produce a hundred yards and can sell only for Rs. 15/-, he sells at a loss. When a farmer buries his capital and labour in the ground, he never knows whether he will get enough out of the ground to pay for his labour and his debts. Long ago the French economists pointed out that all

profits and loss tend to disappear unless there is monopoly, but if there is monopoly profits continue to remain. Some people say what difference does it make, whether there are profits or loss if all the profits go to the government, for the government represents all of us? It does make a difference, for *a government monopoly is just as bad as a private monopoly if it restricts the quantity produced in order to make profits.* For in this case the goods to be distributed will be less whether there be money profits or not. The government must introduce inventions or help others to do so. The government must increase productivity so that the farmer and the worker alike will have more than they had before even with less labour. Unless this is done, all planning will be futile. Let us hope that we now know enough to make our dreams come true.

There is, however, one more reason for planning. The old competition among many small producers and small traders, has generally disappeared, at least in western countries. Businessmen of all kinds have tried to combine; unfortunately they have not only combined against the labourers and against the consumers to whom they wish to sell. They have also combined against businessmen of their own kind who were too energetic or progressive in introducing inventions. Their plea has been that the destruction of old capital would more than outweigh the advantages of the new. Labourers have also combined against the best of their own fellow-workers who want to work a little too fast to raise themselves from the ranks of labour. Sometimes there have been combinations of employers and labourers—as in the building trades in New York—to raise prices and wages alike against the people. In this way free enterprise in the old sense has generally disappeared and those who are in the saddle take profits continually from the rest. In return the government raises taxes to take their profits away and again they raise the prices to make more profits. It is needless to say that a part of the

profits ought to go to the consumers who buy the goods and are the source of all the profits. If employers try to sell for eighty crores goods which cost them only sixty crores, it is evident that sooner or later they can only sell three-quarters of their goods and a quarter of the people will be employed. It was during one of these periods of unemployment—"hard-times" as they called them—that the co-operative consumers' movement was born. Co-operative stores sell at the price at which other stores sell but the profits go back to all the consumers in the proportions in which they have bought. The cooperatives in England and Sweden have forced monopolies to lower their prices again and again. In England, they own 150 factories. In Sweden when the price of the electric bulbs was three times the price in England, the co-operatives of five countries combined to build a factory and forced the International Trust to reduce the prices to the British level. When the prices of motor tyres were twice the price in England, they decided to build a rubber factory and the next day the great International Rubber Trust sent a representative, who said, "For God's sake do not build another factory. There are too many already. If you want a rubber factory, we will sell you one of ours." They did so and at the same time reduced the prices of tyres. Thus the co-operatives re-distribute the profits to the people who keep trade moving. They both pay the profits to the consumers and at the same time keep watch on prices which are out of line with costs.

One more point I would like to make clear. Some argue violently that government must keep its hands off business, that government has no part in industry. Others argue with equal violence that government must own all the industries. This is like the arguments of some theologians who claim that the soul is either in heaven or in hell. Whereas all the reality of life appears to me to be between the two. During the war the patriots of Czecho-Slovakia such as Benes and Masaryk

and the Communist leaders of Czechoslovakia were in exile together in England. They had many, many hours to talk things over together with quiet give and take. They decided that it was possible for capitalism and communism to lie down together and work together in a free socialistic democracy. They are working it out together in Czechoslovakia now, and even the Russians agree that they are making it succeed. Sweden was the one country which practically had no depression. In Sweden they have government industries, private industries, and co-operative industries. All three act as a check on one another. In my opinion this is the way to control monopolistic profits. True co-operatives are not compulsory co-operatives, but voluntary co-operatives.

There is one more way of dealing with profits. That is to maintain small producers and small traders in the old traditions of the east as well of the west. The books have written too much about the advantages of large industries; too many text-books on Economics have ignored the advantages of small industries. They have forgotten the costs of transportation of distant raw materials. They have forgotten the costs of marketing and selling to distant consumers. If government will help them from being mercilessly crushed, many small industries can yet survive. Justice Brandeis of the United States Supreme Court, closed his life by writing a book on "The Crime of Bigness." We may need to help them with marketing. We may need to bring power to their lowly homes, so that the cloth may be home-spun instead of hand-spun and so that the farmer's wife may escape the drudgery which might be supplied instead by Himalayan water-falls. But I am sure that in these two ways—by home industries supplied with hydro-electric power and by voluntary co-operatives, producing and marketing and consuming, all with the help of their government, but not under government compulsion, we shall have a free economy

which will double and treble and quadruple the wealth of India except for that part of it which we choose to receive in leisure. For the first time in the history of the world it is possible for the whole population to have learning and culture and recreation.

*Lecture No. 3*

## ECONOMIC FREEDOM & ECONOMIC JUSTICE

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### *Importance of the State*

We have seen from our first lecture how important the State has come to be in modern times. The tendency the world over is for governments to assume increasing responsibilities and power in all domains of the life of the nation. Probably the encroachment in no other sphere has been greater than in the economic. There is little doubt that in India too the State will assume greater power than it has hitherto wielded. We have seen that in an emergency like foreign aggression or civil disturbance or visitation by some great natural calamity, it is the obvious duty of the State to take unto itself all necessary powers in all requisite directions. An extreme laissez fairest would hardly cavil at the State assuming such absurd authority during such times. But even during peace times it seems clear that State will assume great powers. If we are to aim at an enlargement of the national dividend and its more equitable distribution amongst the various categories of the population, it seems apparent that the assumption of such authority will be nonetheless inevitable. A just Social Order cannot evolve itself unaided by the volition of men. It has to be laboured for and be attained.

It has already been indicated by our national governments both at the Centre and the Provinces that they are concerned deeply in the dual aspect of the prob-

lem of increasing production and to better the standards of living of the peoples particularly of the underprivileged. It is therefore important to consider not only the nature of the State itself, but also the functions it is expected to perform in the discharge of its obligations towards society. Amongst the multifarious activities the State will be required to perform, there are three that to my mind appear to be of supreme importance. First is the problem of Equity, second the determination of Priority and third the maintenance of a reasonable Price level. Undoubtedly, many other no less urgent matters can be indicated. But it is held that if the State in India can confine its energies mainly to these three directions for the next fifteen and twenty years it will have achieved something of no small value. In the first part of my lecture today I shall dwell on these three aspects of the subject in some detail.

### *International Sphere*

In the second part of my lecture I will attempt to emphasise the place and the part that India must have and play in the international sphere, particularly the economic. Our leaders have made it plain that they do not believe in an isolationist policy. There is no doubt that there is one school of thought of high prestige that desires to lead our economy in the direction of self-sufficiency, leading almost to isolationism. But contemporary economic affairs and the momentum of modern ways of life, if not the imperative necessity of providing ourselves with modern implements of Defence, makes it inevitable that we must enter into international trade relationship with other countries of the world.

We are so situated in global relationship to other countries that we cannot adopt an isolationist policy even if we contemplated doing so. Others, our neighbours near or remote, will not leave us alone to enjoy our isolation by ourselves. There is hardly any escape for us even if we desired it. But in case we adhere to a

policy of exclusion and of self-sufficiency, it is obvious that for years to come we shall be enforced to live at a low standard of living. We shall in such circumstances be reduced to the philosophy of the minimum. In all conscience we have had a long period of such asceticism enforced on the bulk of our peoples. We cannot and we must not concede to such conditions any more.

The nation as a whole is anxious to raise itself above the subsistence level. As a people we are eager to attain a reasonable standard of life, commensurate with our resources especially in the matter of food. It is our first inescapable requisite. Otherwise millions of peoples would perish of starvation. We are anxious that the lopsided economy of the country, so heavily dependent on agriculture, is expeditiously and duly corrected. To this end various schemes and plans of the Government for rapid industrialisation have been proposed. For the purpose of securing necessary plant, equipment as also obtaining requisite technical guidance and personnel, it will be essential for us to enter into trade relationship with other countries. Naturally we shall have to safeguard our economic integrity. We shall therefore, have to consider the part we intend to play in the international scheme of things. No nation, however, can retain wholly its autonomy in an international agreement. But escape clauses are usually provided. In vital matters consent of the parties concerned is required. But nevertheless some surrender of absolute sovereignty is involved. Consent to an international pact, if given freely and without duress, is to that degree autonomous. National self-respect is not impaired under such international collaboration. If these essential conditions are fulfilled there can be no sound reason why we should not enter into co-operative effort on a world level.

### Research

In the third part of my lecture I will attempt to

consider the problem of Research. It is apparent that no nation can expect to survive and much less to advance in the modern way if it should lag behind in the business of Research. In contrast to the past, Research has become a matter of special concern of the State. Undoubtedly individual institutions or academies will continue to play a vital rôle in the matter of Research. Yet for several reasons participation in Research by the States is vital. This is true both in the fundamental and the applied field. The question of resources and the need for continuity makes it requisite that Research should become an essential function of the State. Happily the importance of Research has been thoroughly well understood by our statesmen and pre-eminently by our Prime Minister Pandit Jawaharlal Nehru.

### *Equity*

To turn to the three aspects of the functions of the State I have selected for our consideration. In the matter of Equity I think we have ceased to think of these problems merely from the point of view of the individual. The individual still remains pivotal in all questions of social justice. He is indeed the first test of all measures of Equity and Justice.

### *Owners of Resources*

But in these days of modern methods and technique of economic arrangement we have to think more in terms of groups or interests not of individuals. All manner of sectional and vested interest springs up. These entrench themselves in the field of economic enterprise. Vested rights grow up. Monopolies of all types take a grip of the economy of the country. They strive to exercise control in their own behalf in all manner of ways. This has been the supreme difficulty of all ages, particularly of the age of machinery and of the capitalistic method of production. It is the function of the State to hold the balance evenly as between the

respective parties. Indeed, if anything, the effort of the State should be to actively assist the underprivileged. From the economic point of view the main interests that the State has to harmonise are these conflicting interests. The owners of resources are the most powerful group that have to be continuously and carefully considered. If we are to continue the present structure of our economy, they are essential to the well-being of our society. Short of complete nationalisation or in other words, the establishment of pure communism we shall have to treat this section with the consideration they merit. They own not only the resources natural and financial, but more than that they hold the invaluable asset of managerial experience with themselves. This knowledge cannot be easily acquired. It grows with time and opportunity. This class, however, may not be regarded as a caste. Though for a variety of factors, social, financial and conjunctural and others, it is tantamount to a caste. Such experience will of course be trained and hired locally or be imported from abroad under contract system. But as the life of the entire community is one united whole organically, it would, at any rate in our present situation, seem to be most desirable to accord to this class every legitimate opportunity to put forth its best efforts to organise and expand production, agricultural and industrial, to their maximum. The Profit motive which is the fundamental cause of economic endeavour in the capitalistic system of society, must be given due scope for operation. Of course, exploitation specially of Labour must be prohibited. This can be considerably safeguarded by reasonable labour legislation. Excess profits, due to special circumstances, can be assessed and made to yield an equitable share to the national exchequer. The goose that lays the golden eggs must be preserved. We can have it up for dinner some other day may be but not just yet! Parasites amongst the owning classes can be made to work or be eliminated by

several well-known devices. Financial monopolies too can be tracked down and brought within the power of the State. The owners of resources are not now so free to exploit as was possible in a different political set-up. A democratic people if ably guided can go a long way to bring within due submission the economic barons of our times. If they should persist in their ways and proceed to exploit the masses, specially in times of dire need, they will be given short shrift. Either they regard themselves as trustees of the wealth and resources in their possession for the benefit of the nation, or face annihilation. International alliances are possible. They may even exist. But the day of such overt exploitation is over. More subtle ways are being followed. But these too in their turn do not pass unnoticed. Public opinion is not so blind nor so ill-informed as is assumed. It is sure that much of the press and propaganda is controlled or inspired by those who possess the money bags. But there are limitations to excessive exploitation. Much of socialistic and communist talk is unfounded on facts and false in presentation. Nature abhors excesses. Correctives are soon applied. We hope that owners in India will read the signs of the times and with due sense of responsibility render that powerful aid to the matter of increased production that the country so urgently needs and which they have in their power to supply.

#### *Workers, Peasants and Landless Labourers*

The second important group that the State has to take into consideration is the workers. We must emphasise that amongst the categories of workers we include the vast mass of cultivators and landless tillers of the soil. In India it is vital to stress this. Peasants and farmers are frequently forgotten in such context of the country. They are the backbone of our economy. Yet they have an unfair deal. Judged merely from the economic aspect, much has to be accomplished to safe-

guard them from fierce economic exploitation. I think it may be said that as far as industrial labour is concerned we have made satisfactory progress. But much yet remains to be done. We cannot rush these matters. We have to cut our coat according to our cloth. But it must be recognised that all investment in building up the physique of our peoples, in training their mind and capacities will in the long run, pay the nation. We should, therefore, in spite of financial difficulties, strengthen and enlarge within reasonable times the nation building services of the country. It is acknowledged that they are revenue-consuming departments of the Government. Their expansion while imperative, will yet have to be adjourned with due consideration of other needs of the State. Two hopeful factors have to be recognised in this regard. One is that Labour, specially in industry, is able to look after its own interests. The Trade Union movement though not uniformly well developed in all industries or in all provinces, has grown sufficiently to be able to stand on its own legs. No spoon-feeding is required. Indeed, in certain industries and public utility services, Labour has grown so strong that it can, if it wills, hold up government, if not the nation, to ransom. Stoppages, lightning strikes, absenteeism, indiscipline and go slow tactics have been followed in many spheres. Production has declined. Such action is deeply deplorable. Public opinion cannot support such behaviour. But it must be said that in the slowing down of production, labour alone is not responsible. Other parties are also concerned. The second point is that Labour can be appealed to specially at the present juncture. While their legitimate aspirations must be respected and helped to be realised, it must be held that peace in industry must be maintained unimpaired. Adequate machinery has to be provided to settle various disputes. Production must be maintained without cessation. This is an obligation upon workers and employers without

exception. It should be the effort of the workers and their leaders to enhance their productivity per man-hour. If they fulfil their part of the bargain, public opinion, the State, if not the employers themselves, will see to it that workers receive their due share. In public utility industries the State is making every effort to give workers tolerable conditions of work. In regard to wages they are proposing for the lowest categories the passage of a Minimum Wages Act. For the rest, in following the Pay Commission's recommendations the Government have clearly indicated the trend of their Wages Policy. We have not come to the end of our difficulties in the matter of industrial remuneration. But it will be conceded that we are well on the way to evolving a satisfactory solution of our difficulties. For the tillers of the soil, however, much remains to be done. Here is the heart of the problem. The Central Government have already set on foot an enquiry about the ascertainment of economic data about rural labour conditions. The view ultimately is to introduce Minimum Wages Act for agricultural workers as well. With better peasant organisation and improved and instructed technique, yield per manhour in agriculture too will rise. The process on land may take more time than in industry. But the situation is hopeful. Patience and drive are both required.

### *Consumers*

The third party that needs most help are consumers. They are the most defenceless section of the community. Had we a widespread chain of consumers' distributive societies, the interests of the working and the lower middle classes would have been duly safeguarded. But in the absence of such a cooperative supply system, except in certain cities, the consumers have suffered heavily. Price control, Rationing and the like have stayed the rot. But many people are doubtful whether the need has been adequately met. In the rural areas

specially the condition of the cultivators of un-economic holdings and the landless labourers has much deteriorated. Government's policy of Procurement, Grow More Food Campaign and Food Grains Imports have been measures to meet a situation of unprecedented gravity. Signs of improvement in the immediate future are none too hopeful. I think it may be stressed that two developments are desirable. One is that while the State will do all that lies in its power, the problem is so vast that even the state cannot solve it single-handed, powerful and resourceful though the State is, without the people's cooperation. People must help themselves. So we should strive to bind ourselves into cooperative consumers' associations. With loyalty of members, capacity and honesty of workers these societies should prove helpful. The other is that the army of middlemen should be modernised in the methods of merchandizing. Wastage, fraudulent practices, tampering with weights and measures, speculative operations, mixing of qualities and the like should be prevented by law. Illegitimate deductions and uncalled for commissions should be prevented by law. Weights and measures should be standardised. In normal times Government should cease trading. It should only regulate trading by desirable laws working through representative trade bodies and produce and commodity exchanges. Thus much will have to be done to protect the interest of the consumers.

### *Rural Interests*

The other matter of Equity is fair treatment of rural with urban interests. It may be mentioned that the world over the peasant has borne the urbanite and the administrator on his back. Resources have been derived from him and spent largely for the benefit of others. Peasants are becoming conscious of this long-standing injustice. Awakening is afoot in farm and hamlet. Happily we have at the helm of affairs in our country people fully alive to these problems. They have pledged

to redress the grievances of the rural populations. The expenditure of resources, the development of schemes, the provision of services and like programmes are being balanced between these various claims. I am not sure whether per capita basis of expenditure can be adopted for the division of resources as advocated by some schools of thought. Urban populations are in many ways of greater strategic importance even though numerically they are inferior to the rural. So it is inevitable that even under the present characteristics of our revenue resources, a large proportion will continue to be spent on urban facilities. Indirectly, it must be remembered that these help the rural population themselves. So it is not so inequitable as it may first seem to be. But there is little doubt that in the future the effort of our ministries will be to do all they can for the rural populations. With planning and energetic action we trust that the hiatus that developed in other countries between town and country, evolving divergent political party formations, will not appear in our country.

#### *Posterity*

The fifth and final group that I think we need to consider is posterity. We have too frequently, especially under a colonial economy, suffered from such maladjustment between present and future needs. Expectation of quick returns has led to the sacrifice of the future for the present. The present indeed is vital, particularly in face of foreign aggression. But apart from such exigencies, it is desirable that we should not discount unnecessarily heavily the generations to come. Long term projects should not be discarded by us for some immediate gain. Rapidly yielding resources are understandable. But the investment of resources for long term schemes should not be relegated to the background. In many ways they may prove of more lasting benefit than fast income yielding schemes. For instance, we should not pigeonhole schemes such as forest rehabilita-

tion, prevention of soil erosion and the like. Consideration of posterity should be well to the forefront in all our planning. Thus would the principle of Equity be satisfied as between the Present and Future.

### *Priority*

We thus come to the second part of our discussion namely the matter of Priority. We have to settle the principle of discrimination between various schemes that Government can put through with such resources and arrangement of finances as are foreseeable. From the point of view of Ability, it is but obvious that we shall have to press for, in the first instance, in the next ten years or so, all such projects as will give us rapid revenues. These in themselves will provide immediate employment for all types and grades of labour, professional and traditional skill. Ultimately they will pay off all investments put into them. These would be self-liquidating projects. These, therefore, must receive precedence over revenue-consuming programmes. Unfortunately most nation-building activities are of this nature. They help build up real wealth and train up capacities, but are slow in yielding return into the flow of the national income. Besides, in the grave situation in which we find ourselves, we have no windfall on our revenue-side of the national credit. Our taxable capacity is strictly limited.

### *Irrigation and Hydel*

On the agricultural side I would not hesitate to place Irrigation as our first necessity. In fact, water power development if suitably located, can render threefold services. It can with almost same capital cost, provide hydro-electric power, irrigational supply and inland waterways transport facilities so woefully neglected due to erstwhile railway policy. Irrigation by means of power lift has more promise than by flow. With growing population pressure upon the soil and our need for more food and fodder both for men and

cattle, and all manner of raw materials, our key need is for irrigational extension schemes. Hydel projects go with these simultaneously. With turn out of suitable machinery for small scale and cottage industries and various agricultural processes much can be achieved to modernise production and make it more efficient and profitable.

### *Fertilizers and Fuel*

Next in priority should be placed schemes for fertiliser production and cow-dung preservation. Indeed I would give the latter much emphasis. If we could return to the soil even a part of our farm-yard manure, we would nourish our soil substantially and produce heavier yield of food and fodder crops. Alternative fuel resources would have to be developed by planting rapid growing trees. Use of soft-coke could also be popularised. Ultimately, probably fifty years from hence, electric cookers and the like may have come into use in our village homes.

### *Cattle wealth*

Next to men if not even before them come our cattle wealth. I am not at all confident that the prevention of cow slaughter is the sole means of meeting the situation, religious sentiment apart. Indiscriminate slaughter must be made illegal. But slaughter under regulated conditions would appear to be inevitable, at best for the next twenty years or so. By that time by means of artificial insemination, breed selection, fodder improvement and mechanisation we shall come to some working balance between cattle strength and need for dairy produces, cartage, power supply and hide and leather requirements. Upon the quality and prosperity of our cattle depends in real manner our well-being.

### *Armaments and Transportation Industries*

In the industrial field governments have indicated

their objective to develop the country as rapidly as feasible. Many complicated bottle necks abound. These will have to be solved by all means of ways, national and international. Armament and industries assisting all types of Transport supplies by river, road, rail sea and air will have to be given highest priority. It is not easy to set them going. But develop them we must. No effort can be too great to found and establish these undertakings within our territories. Next to them Basic industries, which are in the category of capital-goods production industries we need to assist, regionally and locally. Consumption goods industries, food processing, textiles, paper production, printing, drugs and medicine, leather goods footwear and the like must be speeded up. Both in the matter of capital goods and consumers' goods we shall have to arrive at some adjusted arrangement with other countries. We cannot escape such arrangement as far as I can visualise. We must have protection for the development of our nascent industries. But we cannot embark upon a scheme of prohibition of imports. Both from the consumers' point of view and immediate revenues, we have to appropriately adjust our tariff rates on different varieties of goods. A Permanent Tariff Board is essential. Periodic revision of duties and subsidies would be desirable.

#### *Cottage Industries*

Cottage industries of all types from weaving to pottery making can yet play a profound part specially in this period of chronic scarcity. Technological facilities even more than credit is required. Marketing can manage itself in these days of unsatiable public demand. If production can be speeded up, controls would themselves be liquidated. Much employment could also be provided.

#### *Village Roads*

Along with extension of cottage industries I would

stress the need for development of village communications. Government have large schemes afoot. If all-weather roads could be provided, and villages linked to primary and even secondary munities much fillip will have been given to economic activity in the country.

### *Housing*

Finally in the matter of priority I would put Housing both urban and rural, high upon the list. Low and middle income categories families need assistance most. Central Government Housing plans operating through provincial governments, local bodies, municipalities and improvement trusts seem to be action in the right direction. For the rest, employers, private builders, co-operative societies and others could be left to build as they like. Building restrictions of all types should be planned. Priority in the supply of material should be accorded to dwellings of the low income category classes. Buildings for pleasure like cinemas or for the rich should be rigidly controlled. Until we can provide adequate housing for the workers, specially in our industrial areas, we shall not overcome labour unrest. Of all needs, next to food, man aspires after having a shelter which he can call his home. If he can own it, however humble, it gives for himself and his wife and children a sense of security which affords high psychic satisfaction. This is an objective that our administration should keep well in mind and fulfil it to the greatest extent possible.

### *Price Level*

The third aspect in the matter of the function of the State that is important in our situation at the present juncture is to see that the price level does not move any higher. Currency inflation must be brought under control. It appears that this policy has already been set afoot. From the monetary side matters would appear to be well under control. The policy of the government appears to be to bring prices

down gradually to some suitable range and to stabilize them at that level. Our capital market has grown up steadily and with guidance from government through the Reserve Bank and the various stock exchanges can be stimulated and directed to assist agriculture, industry and commerce. I would in this connection urge the maintenance and extension of all institutions and organisations for the promotion of savings amongst all classes but particularly in the ranks of the small investors. Many individual, familial and national benefits would accrue from such a policy. Pressure on consumers goods would be to some degree relieved. The cumulative effect of this cannot be minimised. Government also would be assisted to some degree as it would be faced with diminished competition in the open market for foods and services. Reduced cost to government on various projects would be of advantages to the taxpayer and to posterity. Savings would afford a sense of security to the individual as also to the family and help to bring some measure of social stability.

### *Agricultural Prices*

For us agricultural prices are of vital concern. Urbanites, manufacturers, commercial and professional men and even governments, as employers of a vast army of workers, are usually interested in keeping the prices of food grains and other agricultural raw material low. It has, however, come to be recognised that the prosperity of industry and commerce itself depends upon the enhanced productive capacity of the peasantry. In all countries and in India peculiarly this fact is of outstanding importance. Apart from the so-called commercial crops, we must see to it that our main foodgrains crops do not fall below a given level. They still form in the main the principal source of the cultivators' income. Floorings must be provided. For some years probably the problem of the base year may not bother us. But it is a fundamental concept for our economy of wellbeing.

For the present we are involved in the matter of fixing ceilings. It is no easy problem to solve. The question of Parity emerges forthwith. It is not a question of merely determining the parity between agricultural prices and industrial prices but also of adjusting appropriate parity between agricultural, dairy and other prices themselves. Otherwise the principle of substitution working in normal manner would impinge upon these ceilings and floorings for the matter of that and break them soon. In a free economy we can anticipate no other consequence. Totalitarian economic control we cannot suggest for our country even if we believed in it theoretically. Except in an emergency we do not advocate totalitarian control. It is also obvious that we alone cannot fix the prices of our staple agricultural products or even of food grains alone, unless we come to some understanding with the principal foreign countries concerned. Attempts have been made and some measure of understanding has been secured in this regard. But whether international action will hold out in such matters, is yet a matter for speculation.

### *International Affairs*

This brings us to the next main topic of our discussion, namely the part that we can and should play in international affairs, as apart from the political. We have not hesitated to join the United Nations Organisation. We have done well. We have already gained certain amount of credit for our contribution in various fields of international collaboration. We are members in all our right. While we may not be as some of the Executives as Permanent members, and thus may feel chagrined in the matter of prestige, we are regarded as a nation of much importance. Our participation is of consequence to the rest of the world and to the Asian countries in special. I think it can be stated without false pride that in the International Labour Organisation we have played an important part. Our nationals

have held important offices. We have helped to shape world policy in matters relating to Labour. The Asian Labour Conference itself is proof of the influence India has had upon labour affairs internationally. We have the matter of the International Trade Charter before us. In the formulation of the Articles of the Charter and in the determination of its objectives it is to be acknowledged that we have played no ineffective part. Even in the building up and the assigning of the States of the Economic and Social Security Council India made a vital contribution. But for its efforts this Council may have remained an innocuous academic debating society. But as it now stands in its constitution, composition and function it is possibly second only to the Security Council both in its prestige and power. So in respect to other organisations in the economic, health, educational and social field, we have already made our mark. By our abstaining from these various international bodies we shall inflict injury not only upon ourselves, but also upon the world at large and the backward and under-developed peoples in particular. We can maintain our sovereignty within the framework of the International Order. I think there is little fear of our being dominated upon against our will. Colonial pressure cannot now work upon us. While it will not be smoothsailing making our way through the currents and cross currents of international storms and stresses, we shall be able to lend powerful aid to the peoples of the world at large by our participation. Our home base has yet to be stabilised. But with power at home, we can contribute strength abroad to the maintenance of peace and justice as between men and nations. India will not hold back. It will march forward, whatever the dangers, to dare and do.

### Research

Finally is the problem of Research. Happily at the helm of affairs in this hour of destiny of our peoples, is a

man who himself a scholar of no mean order is deeply impressed with the necessity of research both in the fundamental and applied field. In spite of many an agonizing duty of this new born dominion, he with his cabinet has put through several schemes of basic importance. Men and money have not been stinted in the founding of these Research organisations. All manner of activities have been covered. It is a new day for our scientists. For young men and women in our universities an unprecedented opportunity has opened up. We hope that the Universities too will similarly be assisted, especially on the Arts side. We need to develop much our international contacts. We can do this directly with various countries and corporately through the agency of the U. N. O. It is recognised that much close and integrated team-work is required in modern technique of scientific research and investigation. State assistance is indispensable. Opportunity for private individual initiative and effort is given, so coveted by the research worker. The individuals cannot be forced to produce research. At such level the individual does not work to order. The right to privacy and secrecy that the research worker needs will be guaranteed and given without molestation. Thus by the endowment for research by scholarships, foundations, institutions and academies, men of capacity, whether of means or not, will be given the opportunity to contribute what is within them for good of the nation and mankind in general. Thus enriched in devoted service, we can hope to make the lot of the common man both in India and abroad, somewhat happier than we find it.

*Lecture No. 4*

## PLANNING FOOD AND AGRICULTURE

*By H. S. AZARIAH*

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The most important problem that has been engaging the attention of man from time immemorial is the food problem. Clothing, shelter, education, travel and amusement have always occupied a secondary place to food. It is not only the most important problem and also the one which most men think about. The producer, the distributor, the consumer as well as the politician, the engineer, the economist and the man in the street all consider themselves experts in this field. We do not claim to be experts. All we wish is to place before the public and the Government certain practical ways to increase food production. For the illusion of "great abundance" and "surplus" of the late twenties and the early thirties has faded and the reality of a general shortage of food in the world is becoming clearer.

There is a danger of overlooking certain essential aspects of food problem in India unless this is set against the background of the bigger problem—the general shortage of food in the world. One is likely to think certain drawbacks are peculiar only to India while it may well be an universal factor which had received proper attention in other parts of the world. It must also be remembered the primitive man was chiefly concerned with procuring food for himself and his family. "What shall we eat? Or what shall we drink or wherewithal shall we be clothed" were probably the

questions that faced him. These very same questions still face most people. But today statesmen and economists are asking these questions applying them to the nation not only for the immediate future but also for generations to come. The problem therefore has two aspects:—(1) the short term and (2) the long term view. While it is true the immediate prospects regarding food is grave, our consideration has been confined to increasing production in the years to come. Agriculture being biological industry, it cannot be made to step up production overnight. Moreover, the people in that industry are generally conservative and slow to take up new methods and new devices. This is true of farmers all over the world. In India it is more so because of illiteracy and the suspicion that has taken root in the minds of the illiterate people under a foreign rule. If we still believe in individual freedom, a rapid change should not be expected. The methods suggested cannot be expected to yield results immediately but should show results if the population problem is also taken up.

There is neither the quantity nor the quality of food we would like to have. The last world war has destroyed considerable amount of food, has devastated good farm lands and disrupted rural life to such an extent that many countries in Europe and parts of Asia will find it difficult to get back to the pre-war production. We cannot depend on the New World for food. In July last year (1946) Mr. Clinton Anderson, U. S. Secretary of Agriculture warned against the "unrealistic dependence on a limitless supply of grains" from the U. S. With the world shortage of food it will be increasingly difficult to import large quantities of food. Unfavourable climatic conditions and rigid governmental reduction on the flow of goods from one region to another even within India has caused periodic anxiety in many parts of India. We have had a failure of rains in the South and floods in Bihar, Assam and U. P.

The burden of feeding the unfortunate people in these affected areas had fallen on the rest of the people. We have now a heavy influx of refugees, who must be fed and clothed. The prospects of food are no bright and therefore a positive and vigorous policy must be followed to step up food production. Moreover, we need to produce enough agricultural commodities not only for home consumption but also for foreign trade. India may not always find a Burma which is willing to take manufactured textile and give rice in return. Furthermore, our food problem is not likely to be solved shortly as with increasing population we will have additional mouths to feed. Unless the rapid population growth is checked, the solution to food may not yield lasting results. Again, a new interest is shown in the quality of food consumed by the common man. It is only right that we as a nation plan to provide a balanced diet for every man, woman and child in this land. This involves a change in the types of crops commonly raised in many parts of India and would call for an adjustment in the diet habit. We cannot ask men to have a balanced diet unless we first produce the food that contains these nutrients and vitamins. All this calls for forethought and careful planning.

The aim of planning for food and agriculture must therefore, be to increase production, and to have better distribution of what is produced. We will confine ourselves to the production as the distribution aspect is taken up elsewhere in this series. To increase food production does not mean just producing more, but must also include such devices to cut down wastes and losses so that the increased amount could reach the final stage—the market or the consumer. If a farmer increases his yield of sugarcane by growing improved varieties and using manures and fertilizers, he will not get the benefit, if he does not see that no one steals his produce from the field. Similarly we must decide who is to get the benefit of increased food production—man

or those creatures that struggle along with man for existence. Taking out the life of these may not be pleasant; nevertheless we cannot afford to go along without taking a decision on this vital matter.

There seems little chance to increase the area of land that can produce food economically. We cannot raise food on any piece of land. There is a number of limiting factors. Adequate sunlight and carbon-dioxide are plentiful. But favourable temperature, proper topography, soil, fertility, reliable and adequate rainfall limit the area that is suitable for crop production. Pearson and Harper estimate that if we consider these factors jointly only 7 per cent of the world's surface is adapted for food production. This agrees with the estimate of the United States Soil Conservation Service that only 11 per cent of the total land surface of the world is in fields and pastures. The "culturable waste" as has been pointed in the study made under the auspices of the Royal Institute of International Affairs, is not a potential asset from agricultural point of view, as many people seem to think. "If it had been readily possible to bring any of these areas under cultivation to yield an economic return, the pressure of population and land hunger would have led to this long ago." Again it is estimated that there are only two acres of food producing land per capita of world population. This varies from 28.9 acres in Canada to less than 1 acre in India, China and Japan. A similar variation is noticed in India also : Bombay has 1.61 acres crop area per capita while Bengal has only 0.47 acres. It is clear that with increasing population we cannot appreciably increase the crop area per capita. To reduce the area of forests will be detrimental to progress of the nation. Therefore, our approach should be to cut down losses and to increase the efficiency of certain controllable factors.

Probably the greatest loss in agriculture is the slow but steady decrease in the productivity of the world's soil due to erosion. Everest estimated that the Ganges

alone annually carries off enough soil which could only be removed by 1,000 ships, each having 1000-ton capacity, working daily throughout the year. Again it was said that in the Jumna-Chambal basin of a quarter to a half million acres of land, 20 to 40 feet deep of soil had been eroded. This represented a loss of a perpetual stream of soil never stopping for an instant day or night removing over 12 cusecs, or half a ton per second, for the past 1,000 years. We need to put up immediately soil-saving devices and cultural practices to stop this enormous waste. The vast extent of sheet erosion and the rapid increase of gullies call for a coordinated action from the various departments of the Government.

We should also check the loss of valuable manure and build up the fertility of the soil. It is estimated 40 per cent (65 million ton dry weight) of the total amount of cow dung produced in India is collected and burnt. With extensive use of compost within a few years we should be able to save at least 30 million tons (dry weight) of manure. The use of green manures and fertilizers will help to build up the fertility of the soil. As far as possible, bare fallows should be avoided as they are most susceptible to erosion. Changes in cultural practices may help to overcome this defect. For example, deep dry weather ploughing to break up the soil into clods so as to catch organic matter which may be blown about in summer and to let the early rain soak in, will be helpful to get an early start of the green manure crop. Such a procedure will not interfere in any way with the 'rabi' seed-bed preparation, as the crop could be turned under early to allow decomposition.

The loss of food after it has been produced is also considerable. It is estimated that on the average 150,000 tons of wheat and 317,000 tons of rice are lost annually due to weevil, dampness and vermin. Considerable amount of loss occurs in storage. Overall loss has been estimated to be 3%. Rats are said to be responsible for the loss of 8 to 10 per cent of food produced. The

control of insects, rats and green parrots should enable human beings to have more food. If the increase in the production of food must eventually benefit man, he must find ways and means to control these pests.

Of the limiting factors of climate, man can provide for the inadequacy and unreliability of rainfall. The area under irrigation must be increased as rapidly as possible. Major irrigation projects should be considered as a long term measure and plans for these must go ahead. However much could be done to dig more wells and make the existing ones more serviceable. De-silting of 'tanks' and minimizing seepage would also help. Better and more efficient devices to draw water from wells should be made available to the farmer at a reasonable cost.

Although we cannot increase the acreage under crops appreciably, with irrigation, we can increase the effective acreage by double cropping. In many parts of India water is the limiting factor. How much food could be increased materially by double cropping is difficult to predict.

There is a great possibility of increasing food by introducing new plants, and new varieties of old plants. There was a time when many of the fruits and vegetables that are most common now were considered poisonous or were looked upon with disdain. Plants such as maize, millets, tobacco, cambodia cotton, potatoes, soyabean, berseem (Egyptian clover) and more recently Kudzu were entirely new to India or new to particular parts of India. It is also important to replace degenerated ones by new varieties. Improved varieties already established are not yet widely used. While it is important to increase yield, we should not lose sight of the quality produced. In introducing new varieties not only we should prefer high-yielding varieties but also disease resistant varieties. Plant diseases also are responsible for considerable losses and therefore wilt-resistant *arhar*, rust-resistant, wheat and drought-resistant *bajra* are just as important to encourage as high yielding ones. Thus

new plants and new varieties of many plants can be used either to increase yield or to grow them in lands where they could not be grown otherwise. Here again, it may not be possible to double the average yield of the country as a whole. Climate again may stand in our way. A study of the average yield of crops in various countries shows that for each crop as we go away from the equator the average yield is greater. In the table below is arranged in five sets countries which are more or less in the same longitude. In each case as we go away from the equator either North or South the average yield is generally greater.\*

TABLE I

*The Average Yields of Important Crops in Certain Countries  
In Order*

	<i>Countries</i>	<i>Wheat</i>	<i>Rye</i>	<i>Rice</i>	<i>Corn</i>	<i>Oats</i>	<i>Barley</i>
		Bu.	Bu.	Bu.	Bu.	Bu.	Bu.
A.	United Kingdom	33.8	18.2	..	..	57.0	39.2
	France ..	22.8	18.6	..	26.9	40.7	27.9
	Spain ..	11.1	12.8	..	28.4	23.8	19.3
	Portugal ..	13.1	11.8	..	12.9	10.8	10.2
B.	Denmark ..	45.4	28.4	..	..	75.3	55.9
	Germany ..	34.8	27.9	..	57.9	58.9	41.3
	Italy ..	22.1	21.8	103.9	31.3	36.0	20.9
	Tunisia ..	7.9	..	..	..	19.9	7.7
C.	Japan ..	28.8	..	75.8	23.6	37.0	38.7
	China ..	14.9	..	52.5	20.8	23.4	21.8
	India ..	10.7	..	26.2	12.9	..	16.5
D.	Brazil ..	10.5	..	28.5	21.5	..	..
	Argentina ..	14.0	9.1	59.8	28.0	25.4	17.6
	Chille ..	16.1	10.2	81.4	22.7	27.5	27.4
E.	Australia ..	12.9	11.1	92.0	22.4	14.7	18.0
	New Zealand ..	32.3	..	..	45.4	56.2	39.7

\* Source: Agricultural Statistics, 1946, U.S.D.A. Washington D.C.

The triangular conflict of man-land-cattle must be boldly faced. There is just not enough for all. Professor Radha Kamal Mukerjee states that the number of live-stock could be safely reduced in the whole of India to one-third of the present population without affecting the standard of farming and rural transport. With the elimination of the 125 millions of uneconomical and superfluous cattle we may be able to take care of our livestock in a better way and produce more livestock products for human consumption.

Mechanization and improved cultural practices have increased the yields some what in other countries. There is scope along this line in our country. We should develop such implements and tools which are most suited to India and with which the farmer can accomplish more work per unit of time. However, the effect of mechanization is increased production per worker rather than increased production per acre. Here in India with small fields, cheap labour and existing systems of farming, mechanization may not increase food as much as in some of the other countries.

If the country must produce a greater amount of total food, the type of farming must be suited to each region. Because of climate, soil, and other factors crops can be best grown only in certain regions. Therefore as a result of many years of experience certain enterprises predominate each region. In other words, while it will be possible to grow any crop in any area, in the long run it may not be profitable to do so. Thus the Nagpur area seems best for looseskin oranges and Allahabad for guavas; the Eastern districts of the U. P. for rice and Western districts for wheat. Taking the country as whole, therefore, it will be good for each region to specialize in those enterprises that are best suited to that place rather than attempt a self-sufficiency. Isolation and self-sufficiency do not fit with highest possible production by the country as a whole.

The quality or nutritional levels of the food can be

improved by paying more attention to the production of supplementary foods especially pulses, vegetables, fruits, fish and animal products. Perhaps the greatest drawback for the proper production of fresh fruits and vegetables is the lack of quick and proper means of transportation. The production of these are rather localized, resulting in violent seasonal fluctuation in the price of these perishables. This factor alone discourages the farmers in suitable regions to produce the maximum possible. It has been often pointed out that high milk production cannot be achieved unless proper attention is given to breeding and feeding superfluous animals. Milk goats and poultry should also be encouraged.

We should not expect the farmer to co-operate fully in any plan of increased production unless he has the assurance that he will be benefited by his labours. This will involve the guarantee of (1) efficient transport for his produce (2) improved marketing facilities (3) favourable prices for his produce (4) facilities to purchase locally his requirements and (5) security on land. As these are taken up elsewhere in this series only mention is being made. Undoubtedly the present system of tenure must go. There must be opportunity for the farmer to enjoy most of the benefits that ownership in land bestows. With appalling illiteracy and dearth of capital, perhaps it will be best for the State to own land and deal directly with the farmer. The farmer should be given the option to rent or buy land from the State.

Increased food production goes hand in hand with improved agriculture. No plan in food production will be complete which does not take into account some of the major problems of agriculture such as consolidation of holdings and reduction of agriculturists' debt. Organization of agricultural industry is also equally important. Unless preceded by a revolution collective farming will not be suitable to the country. Various types of cooperative farming seems to hold promise, where individual freedom and family ties are held dear.

The growing of suitable fruits, vegetables and field crops and the proper use of various classes of land may be effected by regional zoning. The state, in the interest of national welfare should have a final say over the use of land. So far we have not used this most useful modern technique. Zoning is a convenient device to introduce a planned policy.

This leads us to the question how to induce the farmers to adapt these methods. Education of the farmers by propaganda and extension work though slow will yield lasting results. Lord Beaverbrook once said that it took at least 20 years for most farmers of highly literate countries to adapt an improvement in agriculture. In a country like ours it may take many many decades before any improvement can be voluntarily adapted widely. For quicker results, it is necessary to use certain amount of compulsion. The state should exercise the right of eminent domain, police-power, and taxation. Compulsion can be at the point of sword or else by the subtle use of economic laws. For example, we can force farmers to grow more grains by eliminating those who do not care for the nation's food, or else give bonuses or certain facilities to those who co-operate and tax those who do not. The use of compulsion by the latter method is preferable under democracy.

Our food problem can only be solved temporarily unless the population problem also is faced at once. Food after all is the primary necessity of life. But man is not contended with food alone. It is estimated that if Asia were to have the European standard of living it can support only 866 million people and according to the American standard only 368 million people. Actually Asia supports 1,154 million lives. On the other hand, the present population of North America is approximately 184 million people: and it can easily support three times that number according to Asiatic standards. But who would care for low standards of living?

*Lecture No. 5*

## PLANNING OF INDIAN INDUSTRIES

*By P. C. JAIN*

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In spite of huge resources in men, material, and money India is as yet an industrially backward country and this deficiency can be removed by industrial planning. Unplanned capitalism has failed and it is not capable of achieving the desired result. Under this system the profit motive is the guiding factor and only those commodities can be produced, and only in such quantity, as would leave a 'fair' margin of profits to the producers. In the past twelve months it has become increasingly clear that capitalist enterprise is not capable of increasing India's industrial production. In 1946-47, as compared to 1945-46, to quote only a few figures, the production of mill cloth has fallen from 4676 to 3925 million yards, of jute goods from 1.09 to 0.96 million tons, of factory sugar from 0.94 to 0.92 million tons, of coal from 26.5 to 26.2 million tons, and that of finished steel (including semis except blooms, billets and slabs) from 1.33 to 1.16 million tons. If an overall picture is taken industrial production in 1946-47 is nearly 20 per cent lower than in the previous year and the fall in output continues. There are many reasons for this extraordinary situation.

### *Demand for Higher Prices*

The millowners have argued that the costs of raw materials, labour, chemicals, and stores, etc., have increased but the prices of finished goods have not

increased much, thus reducing their profit margin. Recently Mr. J. R. D. Tata indicated that, since the beginning of war, the labour costs of Tatas have increased by 100 per cent and coal costs by 146 per cent while the prices of steel have increased by a much smaller amount. It is, therefore, necessary to increase the price of steel. In the sugar industry, it is argued, the price of cane has increased from annas 8 to Rs. 1-4 per maund, i.e., by 150 per cent between 1942-43 and 1946-47 while the price of sugar (C. 28 Marhowrah) has increased only by 75.5 per cent from Rs. 12-3-6- to Rs. 21-6-6 per maund. This has reduced the profit margin of manufacturers and has in some cases inflicted a loss upon them. The average price of cloth has been reduced by about 58.5 per cent since the middle of 1943 but the costs of production, especially labour costs, have very greatly increased. An *ad hoc* committee which the Government of India had recently appointed to go into the question recommended that the prices of coarser cloth may be increased by 12 to 20 per cent while those of finer cloth may be reduced by 8 per cent in order to increase production by 18 per cent. The millowners consider these proposals too conservative and would like to secure a much higher increase in prices. In all these and other industries it is quite clear that production cannot be increased unless prices are first increased. But this is not possible, and would not be at all justified, because the consumers are already paying very high prices and cannot afford to pay more. Any further rise in prices would have the same effect as the proverbial last straw had in breaking the camel's back. It therefore appears that, apart from long period planning, even to increase immediate production the State will have to take over and itself operate as many industries as possible. If all these industries are Government owned and controlled the profit margin would not come into the picture and it would be possible to increase production even at the existing or even lower price levels. The State produces

for public benefit and not for profit. This then is the first important argument in favour of immediate nationalisation of industry in India.

### *Labour Discontent:*

Another justification for immediate nationalisation is the changed attitude of labour. The cost of living of labour has become very high and is continuously increasing and labourers have demanded higher wages and better conditions of work. During war period they exercised restraint but now they are not prepared to do so. The result is an increase in strikes and lock-outs, the adoption by labour of 'go-slow' tactics and the show of violence towards mill-management. All this reduces industrial production. There has been an excessive loss of time through strikes and the man-days lost in 1946 averaged 12.3 million as compared to 2.3 million in 1943, 3.5 million in 1944, and 4.0 million in 1945. The only practical way of increasing labourers' effort is to fire them with a new sense of responsibility. This is perfectly possible if industry is nationalised. If the capitalists own and control the industry the workers do not feel the urge to put in their best. They have a feeling, rightly or wrongly, that the advantage of their hard labour is enjoyed by the capitalist producers. But if the labourers have confidence in the Government and if Government truly and sincerely represents them and industry is nationalised the labourers would gird their loins to put in their best efforts to increase industrial production.

### *Stages of Planning*

With nationalised industry planning will be easier than otherwise. In this process the first stage is to lay down future targets of production. On the recommendations of Industrial Panels the Government has already fixed five-year targets for some industries. It has already been decided to increase the production of mill cloth

to 6,500 million yards per annum, of sugar to 1.85 million tons, and of finished steel to  $2\frac{1}{2}$  to 3 million tons per annum within five years. These and other targets will now have to be revised in the light of changed conditions because after partition of the country these targets would probably be too high. In any case there is nothing sacred about any one set of targets and as work goes ahead they will have to be constantly re-adjusted not only in the light of experience, but also on the basis of available resources and changing trends of market demand. These targets only provide a first approximation. As yet only the first step towards planned industrial development has been taken but this is not enough. Efforts, and vigorous efforts at that, should now be made to obtain machinery and technical help for which we still depend on foreign countries. There are very great difficulties in this but concerted efforts should be able to overcome them. But this will only solve the immediate problems. From a long period point of view a fully organised machine-manufacturing industry should be set up in India and arrangements should be made for imparting technical training and skill to a large number of labourers. Industrial expansion draws its breath from these sources and in their absence it is not possible to sustain a major industrial effort.

### *Machinery of Planning*

To make the effort at planning successful it is necessary to have an effective and powerful machinery. In the past the making of plans, their coordination, and operation had been entrusted to different Government departments. The central Government also created a separate department of Planning which had, however, to be wound up in the middle of 1946. This is not a satisfactory way of planning. The departmental officers of the Government, though efficient and capable in their own way, lack the necessary skill and outlook to discharge the

difficult task of planning. They are too much engulfed in red-tapism, departmental formalities, and narrow conservatism to be of much use as entrepreneurs. Then there are departmental jealousies which make it impossible to get work done. The Cabinet, which is a body of first rate leaders with great imagination and capacity, is necessarily pre-occupied with administrative and other work of a political nature. It does not have the necessary information on which to base its decisions. It would not do to appoint a team of experts to obtain information for the use of the Cabinet. Such a research organisation, even if it is given full advisory powers, would lack the necessary impetus. It is, therefore, necessary to create a Planning Commission with extensive powers and independent of any political organisation or Government department, but responsible to and subordinate to the Cabinet. In broad policy and fundamental questions it would be guided by the directives of the Cabinet, but in matters of detail it will be quite independent. This Planning Commission will have its branches in the different provinces and states with similar relations with provincial Ministries and State Darbars. The provincial and state branches will naturally be subordinate to the Planning Commission, who will coordinate their work. This Commission will draw up plans, will collect all the information in this connection, and will supervise the execution of the plans by different Boards which may be appointed to carry out its directives in any particular factory or industry. It is only such a detailed organisation that can take the country out of the morass into which it has fallen.

### *The Transitional Period*

Such a thorough scheme of planning cannot be introduced all at once and especially in India with so many difficulties, and such vast dimensions, the full plan can be achieved only gradually. Meanwhile we

will have to be satisfied with an incomplete plan. The Government already owns and operates the railways, posts and telegraphs, and ordnance factories. It should be possible to nationalise some key and public utility industries at once. But it would take a considerable time before the other industries and trades can be fully nationalised. In the transitional period, therefore, any of the following two methods may be used. In addition to key, public utility and other industries under Government ownership and control either some industries may be wholly nationalised while others may be left wholly to private enterprise or some units in each industry may be nationalised while the rest of the units in each industry may be left to private enterprise. It is claimed that the latter alternative will have the advantage of giving the Planning Commission information about all industries and this would help Government in formulating its labour, tariff and other policies. But the danger of this system is that it would create an unnecessary rivalry between the Planning Commission and private enterprise. It would also lead to other complications. The first alternative, therefore, is better. As conditions permit the Government should take over entire industries till the process is complete. In the meanwhile we shall have some sort of Mixed Economy in India. The Planning Commission will control and organise the working of industries in Government ownership and control and would maintain market relations with industries still in the hands of private enterprise. As at present the industry in private hands will continue to get Government assistance on the basis of recommendations made by the Tariff Board and other similar organisations. The process of industrial development under a planned economy is cumulative and the movement feeds on itself and gets momentum as it proceeds. All that is necessary now is to make a beginning and set the ball rolling.

## Lecture No. 6

### PLANNING OF COTTON TEXTILE INDUSTRY

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The Cotton Textile Industry is the most important industry of India from every point of view. At present we have 421 mills with 10,305,000 spindles and 203,000 looms. It gives employment to more than five lacs of people and has a paid-up capital of more than Rs.56 crores. The consumption of cotton in bales increased from a little over 38 lacs in 1939 to a little over 49 lacs in 1945 but it has declined to 45½ lacs in 1946. There has, however, been no appreciable increase either in spindleage or in loomage in the War years and after.

When the war broke out in 1939, our mills were over-stocked with cloth. In fact, they had hardly emerged out of the depression. In 1936-37 the country witnessed a short boom, therefore, the stock position at the outbreak of the War was quite favourable. We were self-sufficient to the extent of about 90% of our requirements in cloth. For about two years the country did not experience any marked shortage. There was some rise in the price of cloth, but it was by no means appreciable, much less alarming. The position deteriorated in 1942, and by the middle of 1943 the situation grew worse. The Government felt genuine difficulty in making purchases for the Defence Department. The old Tender System having failed, direct negotiations were carried on with the millowners in Bombay, where the Textile Directorate was established by Sir H. P.

Modi. The Government passed the Cloth and Yarn Control Order in 1943, and by a process of trial and error it acquired some grip over the situation. The following table will clearly show the statistical position of our supplies in the last few years:—

(IN MILLION YARDS)

Year	Mill Pro- duction	Imports	Hand- loom Pro- duction	Govt. Pur- chases	Exports	Balance avail- able
1938-39	..	4,269	647	1,920	..	177
1939-40	..	4,013	579	1,820	300	221
1940-41	..	4,270	447	1,650	600	390
1941-42	..	4,494	181	1,500	1,000	772
1942-43	..	4,109	13	1,400	1,200	820
1943-44	..	4,871	3	1,500	1,000	462
1944-45	..	4,725	5	1,500	..	423
1945-46	..	4,676	3	1,360	..	441
1946-47	..	3,863	..	1,400	..	..

On a careful perusal one can discern that while the mill-production has not appreciably increased the imports have dwindled to nothing and the exports and Government purchases have taken away a very big slice of our supplies leaving hardly 10 to 12 yards per head for the civil population as against over 16 yards in 1939. The handloom is not contributing its full quota because it is not getting mill-yarn in adequate quantities. India used to import large quantities of mill-yarn from Japan and the United Kingdom. During the war and after, not only have these imports ceased but we have exported considerable quantities of yarn to foreign countries.

It looks rather strange that in spite of war demands and possibilities of large profits our mill production has not improved considerably. It was only in 1943-44 that one witnesses an improvement in production but even

this has not been maintained in later years. This needs a careful investigation. There is no doubt the industry suffers from a basic weakness. As in 1919 so in 1947 it depends on foreign countries for supplies of textile machinery, spare parts and tools, chemicals and even long-stapled cotton. It could not, therefore, be possible to float new mills during the war years without Government support. But we fail to understand one thing. Our mills have worked double and treble shifts; they have consumed more cotton and have employed more hands, yet the production of cloth as revealed by the Mills-owners' Statement is not appreciably larger. *One might suspect that the output returns supplied by the mills to the Government may not be correct.* They might have been undercast to enable the mills to black-market cloth direct from the mill. The temptation was too great for the mills as well as the officials of the Government. To check this evil we suggest the institution of a system of Public Cost Account. The Textile Directorate may appoint honest and efficient Auditors to check the cost of production figures of mills. It has been a protected industry upto March 1947 and, therefore, there is a strong case for such a control. We are of the opinion that not only for this industry but for every protected industry it must be the duty of a Permanent Tariff Board to watch the efficiency of the industry and see that protection is justified by introducing efficient methods of production and distribution.

#### Rationalisation

The industry needs rationalisation in many directions—in the use of improved machinery, improved labour-efficiency, better purchases of raw materials, in the standardization of products, and in the marketing, management and finance of the industry. The first Tariff Board in textile drew pointed attention to this fact and an attempt was made to bring about a merger of 34 mills in Bombay. But the scheme failed mostly

on financial grounds. The Fawcett Committee of 1928 that made an enquiry into the Bombay labour strike, supported the same view. Again, in 1932 the second Tariff Board that investigated into the Japanese competition remarked, "The greatest disability of the Indian industry as compared with Japan is in respect of labour. The labour cost per pound of yarn of average count 16s. in a Bombay mill exceeds the cost in a Japanese mill by over 60% and the labour cost per loom per day on plain grey cloth in a Bombay mill is over three times the cost in a Japanese mill." Again whereas here in India we employed 4,50,000 operatives to work into textile fabrics about 35 lacs of cotton bales annually, only 1,90,000 Japanese workers handled this quantity. It is, therefore, essential that we must put our textile industry on a sound footing from now when it is free from any foreign competition. If we do not set our house in order now, it may be too late after a few years when the Japanese, British and American mills freely compete for markets. The Government of India have sanctioned 125 new mills to be set up in various provinces and Indian States. It is, therefore, essential that they should have the most modern machinery and should rationalise the industry in all aspects from the beginning.

#### *Regional Specialization*

Bombay produces mainly cloth of light texture from medium and higher count yarn and the output compares fairly well in quality with the foreign cloth. During the few years before the war the output of coloured and better quality white cloth substantially increased. *Dhotis* and *Saris* are extensively produced in Ahmedabad and increasing attention is being paid to cambrics and prints. Madras has specialized in high class cotton coatings, bleached shirting, drills and khakis. Southern India has developed a large spinning industry mainly in the districts of Coimbatore, Madura and Tinnevelly, thanks to the completion of the Pykara hydro-electric

scheme in the year 1930 and the keen interest shown by the Provincial Government and the local industrialists. Mills in Kanpur, Delhi and the Punjab produce mostly coarser cloth. Central Provinces and Central India have a fair number of mills with scope for considerable development. However, the most remarkable progress is made in Indian States where the rulers have given various forms of concessions in taxation, etc., and where the labour laws are not strictly enforced. Most of these mills produce coarse count yarn and cloth; but a few mills in Baroda State are specialising in fine count cloth and Indore mills are taking to the production of coloured goods.

The war has disturbed this specialization and the Bombay mills that were specializing in coloured and printed cloth were compelled to produce coarser cloth for the Army. Now they are producing utility cloths under Government orders. We suggest that mill products should be standardized and the qualities should be so organized that single types or ranges of yarn or cloth may be allotted to individual mills. Every effort must be made at *simplification, specialisation and standardization* of products. Duplication of work should be avoided and uneconomic machinery eliminated.

### *Decentralization*

Bombay had the initial concentration of the industry owing to the existence of a big cotton market, presence of enterprising businessmen, nearness of raw materials, availability of cheap transport facilities and a humid climate. But in this century the textile industry has spread to the interior and Bombay had to face a very keen competition from within and without. A time has come when the industry should be further decentralized if it is to be put on a healthy basis. Now that the hydro-electric schemes are being developed all over the country and cotton is grown practically everywhere the industry can prosper in areas with large and prosperous population.

as in the Punjab and the west U. P. There is no sense in herding population in big cities like Bombay, Calcutta, Ahmedabad and Kanpur. We see no justification for Kanpur becoming greater Kanpur and Ahmedabad becoming greater Ahmedabad. In 1931 the population of Kanpur was less than 4 lacs. Today it is estimated at above 10 lacs. The industry can easily be established in Saharanpur, Aligarh, Hathras and Etawah in U.P. These towns are in the cotton producing region and have the facilities of hydro-electric power and cheap transport. They are very good consuming centres too.

### *The Handloom*

India has been famous for her handloom industry in all ages and in spite of all competition of inland and foreign mills the handloom supplied about 30 per cent requirement of our cloth before the outbreak of the War. According to the Fact-finding Committee (Handloom and Mills) the total number of handlooms in India is about 20 lakhs of which about 17 laksh are active. The total number of weavers is estimated at 24 lakhs and of their assistants at about 36 lakhs. The average normal pre-war output of handlooms may be estimated at 1800 to 1900 million yards of cloth and the total value of all kinds of woven cloth—cotton, woollen and silk—in India for 1939 worked out at Rs. 72.8 crores. The demand arises principally from two quarters—(a) for highly artistic and finished goods and (b) for coarser cloth needed by the village folk. The handloom enjoys a certain amount of superiority in the weaving of hand-spun yarn and the mill yarn of low counts as also in the weaving of delicate fabrics using high count yarn with complicated designs and cloth of striped and checked patterns. The merit of high-class handloom fabrics is their distinctiveness and delicacy of workmanship for which high price can be paid by rich customers. Handloom cloth (machine-spun and hand-woven) is more durable too. Above all, the capital

costs and running expenses of the handloom weaver are small which can be more easily found out.

Mahatma Gandhi has given the handloom a new status. He believes in the utmost decentralization of power, both political and economic. Modern capitalism leads to concentration of economic power in fewer and fewer hands. The industrial unit continues expanding resulting in combines—national and international. Industrial labour is herded in large crowded cities. According to his philosophy this system is not allowed to develop his personality. It leads to social and economic upheavals from time to time. He, therefore, advocates production by masses and not mass production. To him *charkha* is the best means of providing cloth to all people. It is the symbol of freedom. He pleads that if every worker (including children and old persons) spares an hour for hand-spinning every day the nation will have adequate supply of yarn for her clothing needs. He does not regard spinning as a whole-time occupation. Handloom is only next to agriculture as the largest single industry providing employment. Again, while the wages bill in a mill comes to about 25 per cent of the total cost, it is about 40 per cent in hand-weaving with mill yarn, and nearly 75 per cent in hand-weaving with hand-spun yarn. This is the greatest justification for Mahatmaji's advocacy of the *charkha*.

At present we have 421 mills with more than 10 million spindles and over 2 lakhs of looms. The Government has permitted an addition of another 125 mills with a spindlage of 2,744,000. Yet we find that it does not give the country an improved standard of clothing. Every plan, including the Gandhian Plan aims at improved standard of clothing. The Industrialists' Plan estimates the per capita consumption of cloth at 30 yards and the Gandhian Plan at 20 yards. We believe that for a decent life even 30 yards are inadequate. Further, the average does not solve the problem of the small-man who will get far below 30 yards. Taking

30 yards per capita as the basis and multiplying it by 420 million, the estimated population of the country at present, we require 12,600 million yards of cloth for our own needs. Even assuming that our imports will balance our exports of cloth we need 12,600 million yards of cloth at present. In addition to this we have to provide for the increase in our population which is estimated at 5 million a year.

The Fact-finding Committee estimated the production as follows:—

		Million yards	Per cent
Khaddar (hand-spun and hand woven)	.. .. ..	163.2	2.6
Handloom cloth with mill yarn		1,643.0	26.9
Mill cloth	.. .. ..	4,297.4	70.5
		<hr/>	<hr/>
		6,103.6	100.0
		<hr/>	<hr/>

The estimates of *khaddar* are widely divergent. The Textile Tariff Board of 1932 estimated the hand-spun yarn at 24 million lbs. and the All-India Spinning Association at 9.2 million lbs. The figures of the Association as well as of the Tariff Board are regarded as under-estimates by the Fact-finding Committee which, on a very careful investigation, puts it at 54.5 million lbs. of yarn available for weaving purposes. Again, the Association estimates that we get 3 yards of cloth for one lb. of hand-spun yarn. Multiplying 54.4 million by 3 we get the above quoted figure of 163.2 million yards of *khaddar* or 2.6 per cent of the total production of cloth in the country. The Committee observes, "In the course of our tours, practically everywhere we found the handloom weaver averse to using hand-spun yarn. The reasons given were various:—Hand-spun yarn was uneven; it lacked in tensile strength; it was unsuitable for the better class of fabrics; its cost was much higher than that of mill-spun yarn." So far the Indian

Mill has replaced the textile mill but not the handloom as is clear from the following chart:—

IN CRORE YARDS

	1913-14	1938-39	Increase or Decrease Actual Percentage
Mill Production ..	116.4	426.9	310.9 267
Handloom Production	106.3	192.0	85.0 80
Imports ..	319.7	64.7	-255.0 -80

*The Future Policy*

We have attempted to put the case for the handloom in the fairest possible manner. It has got many virtues and advantages over the mill in several directions. But it must be admitted that it has only a limited scope. It can supplement the mill but by no means supplant it. It can serve as an auxiliary industry to the cultivator in certain areas. Now that the country is developing hydro-electric power, a push can be given to the power-loom as well. While every encouragement may be given to the handloom by Provincial Governments, the pace of industrialisation should not be impeded by putting obstacles in the way of new company floatations or expansion of existing plants. The handloom may be assigned a definite place in our economy and it must be seen that in the lines in which it enjoys advantage over the mill it is protected. But the country needs so much cloth that there is ample room for the mill, the power-loom and the handloom of both varieties. The country should have an all-India plan of production as well as of distribution of cloth.

To encourage the handloom, it will be advisable to set up spinning mills in the important centres of the handloom industries, e.g., in the East of U. P. and certain parts of the Madras Province. In the north-east and south-east of U. P. there is no mill although

there are 1,59,772 looms and 4,41,022 weavers. There is, therefore, a very strong case for establishing spinning mills and a few mixed mills as well. The spinning mills should supply yarn to the handloom weaver who has remained idle during the war years. This area is near to the coal producing provinces and has comparatively a more humid climate. Now that the Rihand hydro-electric works will supply power to these districts, the Government should see that these areas are also developed like the west U. P. So far it has not caught the imagination of the magician—the entrepreneur—who is busy with expansion of Kanpur or is shifting his enterprise to the Indian States. Under our scheme the whole countryside will hum up with activities. The standard of living of the people would improve and education would spread faster than otherwise as at Modinagar in the Meerut district.

Yet another scheme of co-ordination of the mill and the handloom may be tried. Cotton mills in the midst of handloom areas may confine themselves to spinning, dyeing, bleaching and finishing. Weaving may be done on the hand-loom. The mills should take up this work in a co-operative spirit. The Director of Industries of the province should supervise and assist the weavers. This co-ordination of the mill and the handloom on a co-operative basis will provide employment for millions of people in healthy and spacious environment; it will lead to greater specialization of products and correct the evils of excessive industrialism which result in overcrowding of cities and frequent strikes and lock-outs. It will reduce freights, eliminate middlemen, and release capital for better ends.

### *Labour*

Labour has grown more conscious, economically and politically, during the war years. The worker is not satisfied with a mere living wage—nay, he may not be satisfied even with a reasonable standard of living.

He wants a share in the management and ownership of the concern in which he works. He distrusts the employer and the rationalization schemes which he regards as devices to entrap him. He thinks that rationalization subordinates man to machine. It deprives him of interest and initiative and makes his work dull and uninteresting. In the last two years the country has had very many labour strikes and lockouts. We must not forget that political forces are also behind these disruptive tendencies. The Trade Union Movement is not yet put on a sound footing in this country. It lacks leadership. Unfortunately the leadership which comes from outside looks more to other interests than of the workers and the industry. It is, therefore, high time that the employer must change his attitude towards the worker. He should be prepared to be satisfied with a modest rate of dividend and should regard the enterprise in a co-operative spirit. He should encourage workers to own shares in the company and must take their representatives on the management. The worker highly resents the fabulous profits of the managing agents. They should be controlled by the State. Rationalization should benefit all interests—the consumer, the worker and the employer. Then and then alone it will succeed, otherwise like the strikes of 1928-29 we shall have to face countrywide strikes of long durations. Every new mill should be granted a license on explicit condition that it will provide housing facilities for its workers.

The worker should also be in a reasonable frame of mind. The reduction of hours of work from 9 to 8 must result in greater efficiency and better standard of living. We have the example of Great Britain before us. Now that we are a free nation and there is a popular Government at the centre and in the provinces, the worker must feel secure and play an important role in the economic and social reconstructions of the country. He should act in a way that charges of absenteeism,

'slow-down' and 'uncalled for strikes' are not levelled against him. Labour is bound to play a more important part than finance in our future economy which shall be based on socialistic and democratic principles. But rights and responsibilities should go together—nay, responsibilities should precede rights. We suggest that Joint Production Committees should be formed to step up production and remove misunderstandings between capital and labour.

### *Raw Material*

Cotton is the most important single element in the manufacturing of cloth. It accounts for about 50 percent of the total cost. Therefore every possible economy may be made in its production and use. India is the second largest producer of cotton in the world at present—U. S. A. being the first. The acreage under cotton has fallen in the last few years from 24,151,000 acres in 1941-42 to 14,478,000 acres in 1945-46, and the output for these years has been 6,223,000 and 3,438,000 bales respectively. Now India does not produce even as much as is required by her mills. The partition of the country has further made our position worse in this respect because reduction in acreage was effected in those provinces and States which are within the Indian Union. Further, Pakistan produces American Cotton of good quality—long and medium staples—while India produces mostly *Deshi* varieties. It is estimated that we are short of supply by about 18 lakh bales and that we shall have to import over 10 lakh bales every year from Pakistan. The United Kingdom may like to buy Pakistan Cotton to save herself from Dollar Scarcity. We should, therefore, ensure this supply from Pakistan in exchange of cloth in which that Dominion is hopelessly deficient. At the same time more land should be diverted to cotton with efforts to improve the yield per acre which is very low as compared with the Egyptian and American yield.

### *Machinery*

We are entirely dependent on foreign countries for the supply of mill machinery. This is the basic weakness in our industrial system. India could have considerably expanded her production of cloth and yarn during the war years and after, if she could get the necessary machinery. Most of the mills have worked double and even treble shifts and some of them were made to produce coarser cloth. All this has resulted in a heavy depreciation of machinery which needs not only renewal and replacement but modernisation if it has to effectively compete in the world markets. But where to get these machineries? Government and business delegations have visited United Kingdom and U. S. A. and other countries but not with much success. Foreign Exchange is another hurdle to cross. However, an agreement has been entered into between the members of the Indian Textile Delegation and the Textile Machinery Makers Ltd., for the manufacture of spindles in India according to which 74 per cent of the share capital would be allotted to the Indian companies and 26 per cent to the British concern with a representation on the Board of Directors of the New Company upto one-fourth of the total strength. It is expected that the New Company shall manufacture 40,000 spindles per month after 1951. It is a move in the right direction but we need machinery immediately for which we should try other markets like Sweden, Japan, Australia and Russia.

Lastly the industry should devote attention to the development of technical education and the education in the art of mill management. So far finance without the accompaniment of technical education has dominated the industry. This gap must be bridged as early as possible. The industry should not grudge any amount spent on research work and the state should encourage these activities. Above all a bold State policy with the

sole aim of industrializing the land is absolutely essential.

### *The Present Crisis*

The country is experiencing an acute shortage of cloth at present. In the last two years mostly due to labour and communal disturbances and coal shortage, the production of mill cloth has declined considerably, particularly since August, 1946, when Calcutta disturbances took place. To add to these difficulties, the taxation policy of the Government is also responsible for the lack of interest and enthusiasm on the part of the mill-owners who are not very much moved by altruistic and social considerations. In the year 1945, the Government appointed an Industrial Panel to fix targets for the textile industry. On their recommendation, the Government of India fixed the following targets:—

	<i>Million yards</i>
Existing production of mill-made cloth (1943-44)	4,800
Handloom production .. .. ..	1,500
Anticipated production for new plants ..	1,700
<hr/>	
Less probable exports .. .. ..	8,000
	800
<hr/>	
Available for domestic consumption ..	7,200

To achieve this end the Government of India, before partition of the country, sanctioned 125 cotton mills with 2,744,000 spindles for British India and Indian States. Of these about 20 mills were for the Pakistan area. Spread over the population the new target will not give any improved standard of clothing to the country.

Instead of any improvement in production, the situation is worsening every day. Unless the Government takes strong measures, in co-operation with industry and labour, production cannot improve. We have

already discussed the attitude of labour and we reiterate that the labour organisations should encourage the workers to suspend, at least for the time being, the old tactics and work in a cooperative spirit. They should accept three-shift system wherever possible. An all round production drive must be made to achieve this end. The Textile Sub-committee made a number of recommendations regarding standardisation, durability, longer working hours, three shifts, opening of shops by mills, exercise of supervision by a high-powered committee and even increase in prices. Very recently the Members for Commerce and Finance of the Government of India were in consultation with the industrialists in Bombay, and it is hoped that out of their deliberations certain schemes would be evolved that would help in meeting the present situation.

### *Distribution*

There are, however, two questions which we would like to discuss in particular. The first one is that of distribution. It is known even to the meanest intelligence that distribution of cloth is far from satisfactory. Charges of corruption and mal-practices are levelled against officers who are said to be in collusion with the trade. We believe that the mills do not supply correct statistics of production to the Government and send out cloth for sale in black market. The result is that at every end of the marketing process prices go on mounting up. It is necessary that the Central Government should re-organise the Central Cotton Textile Board and should see that there is greater despatch in allotment and cross traffic should also be avoided as far as possible. It is our conviction that Provincial Governments are more at fault. The traders and the officials of the Government are in collusion to the detriment of the consumer. As far as possible, the machinery must be made fool-proof and knave-proof. The contacts between the Rationing Office and the public must be made as few as possible.

The licensing committees and sub-committees that are controlled and dominated by the Congress workers have further complicated the distribution problem. They wield power and influence officials, more often, not in the right direction. Licenses are given to people who have no experience of cloth trade. We suggest that there should be a Syndicate of retail traders in each town which should supply cloth to the public all the year round at fixed shops. It is not necessary to keep the rationed cloth at all the shops. Many of them would be relieved to do other work. They should share profits on the basis of 1941-42-43 trade. It will be a co-operative selling. Experiments might be made in a few towns to see how the system works.

#### *Price*

The next question is that of price of cloth. Unfortunately the Government has not been able to effectively control prices and wages in the past, and for several years they have been chasing each other, with the result that there is a growing confusion and dissatisfaction in society. The Government must maintain a firm policy in regard to the price structure. We are happy to learn that the Commodities Prices Board also agree with this view as is reported in the Press. There shall be no end of our troubles if we allow any increase in the price of cloth at this time. The Cotton interests demanded an increase in the price of cotton contracts—both floor and ceiling—on the ground that the cost of cultivation of cotton had gone up; that the prices of non-agricultural goods had risen more than the price of cotton and finally that the price of Indian Cotton lagged far behind the world cotton prices. Fortunately the Government did not yield to the pressure. If, therefore, the cloth prices are allowed to go up now, the cotton growers and traders will put up a similar demand with greater justification. Again, growers of sugar-cane and foodstuff will advance their claims. We are, therefore, strongly of the

opinion that the Government must maintain a firm price policy. On no account should the price of coarse cloth be allowed to go up. If at all necessary, it may be subsidised out of the profits from the sale of fine cloth.

We believe the time has come when the Government should seriously think of changing the gear. The Government should fix production quota of fine cloth at a low figure, not exceeding 25 per cent of the total production and see that no mill is allowed to exceed it. Coarse cloth may be rationed as at present but the fine cloth may be allowed to be sold in a free market where it will meet competition from within and without. Instead of buying in a black market, people can purchase this cloth in an open market without any moral turpitude, and the trade will also learn to behave better. During the War years the psychology of trade has undergone a considerable change. They look to the officials and not their customers for patronage. Under our system controlled market in coarse cloth up to the extent of at least 75 per cent of the present production-quota, and free market in fine cloth shall run side by side. This will provide an atmosphere for a change in the marketing habits of the trade.

In the end, we may observe that the world has come out of the first phase of scarcity of cloth when exporting countries like Japan, Germany and Italy could not produce any cloth even for their own countrymen. Now they have begun to export substantial quantities to foreign countries and it is expected that they should not take long to rehabilitate their industries. It is, therefore, high time that we rationalise our premier industry on a sound footing. We hope the suggestions made in course of the speech shall receive the attention of all concerned.

*Lecture No. 7*

## PLANNING LABOUR, TRAINING AND PERSONNEL

*By SUDHIR MUKHERJEE*

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The people in our country are becoming more and more planning-minded. In recent years there has been a lot of talks and discussions about its type and nature both in the official and non-official circles. In the absence of any common basis of agreement, these have often led to a conflict of ideas and confusion of thought. Planning is merely a means to attain a certain definite objective; and, therefore, the nature and type of economic planning for our country will be determined by the objectives we put before us. The basic economic problems of our country are the grinding poverty of the people, associated with all its evils, on the one hand, and the tragic waste of man-power on the other. This is due to firstly the extremely low production and bad distribution of wealth and secondly due to the absence of any measure to conserve and to develop our valuable human resources and to make the best use of them. The ultimate objective of planning for our country must be planning for plenty so that the people as a whole can enjoy a high standard of living and to ensure employment to all. This is a very big task and for its fulfilment has got to be spread over a long period of time. The immediate objective should be a modest one and should aim at maximising production by making the best use of our human and material resources as far as possible, so that the people as a whole can get enough of food and

clothing, adequate and decent housing accommodation, education, health, medical care and various other social services. In order to attain these objectives we have to multiply every branch of our production, agriculture, industry, both cottage and large-scale and others, and to develop our social services. These will necessitate a large supply of the various factors of production—man-power, material and money, of which the utmost importance will be of man-power or labour supply. We shall need a large army of trained personnel and technicians, administrative and managerial staff, and skilled labourers. I should think that the highest measure of our success will depend on the availability of adequate in number and right in quality of labour supply—man-power problem is the biggest problem that we shall have to face. It might appear very absurd that for a country like ours, with such a large population and majority of whom are suffering from either chronic unemployment or underemployment should have a man-power problem at all. This is true to a certain extent, but as we have already stressed, that due to the absence of proper measure for their conservation and development our most valuable assets have degenerated into the greatest liability.

Death takes a very heavy toll of life and cuts short the career of the majority of our people, and as a result of which “we have both a smaller proportion of persons in the working age and a shorter period of working life available to each person reaching that age.” Furthermore, the majority of our people of the working age suffer from malnutrition, ill-health and some sort of morbidity, and therefore, potentially, they are very poor as workers. Then again, due to almost universal illiteracy of our people and the lack of proper facilities for training and vocational education and the security of their employment large number of our workers can neither acquire nor preserve the necessary training, skill and efficiency which are the essential qualities of the

labourers working in a modern industry.

According to the Census Report of 1931 only 54 per cent of our people reach the age of 15 and when they reach the age of 20 their number is reduced to 51 per cent and only 15 per cent reach the age of 60. Taking the age composition of our people in 1931 males in ages 15 to 60, which may be taken to be the period of active career, were only 57 per cent of the total male population and it is only 48 per cent in ages 20 to 60. Moreover, the average person who reaches the age of 15 can expect to get only 30 years of working life out of a theoretical maximum of 45. So far as education is concerned about 12 per cent of our total population is literate and 27 per cent of the children between 6 and 11 years go to school, whereas it is only 12 per cent of those between 12 and 14 years. And as regards training, trained craftsmen and technicians constitute a negligible minority of our population.

The war demonstrated how ill-served our industries have been so far as the supply of trained personnel and skilled labour is concerned and what tremendous handicaps we have to overcome to increase their number. It revealed that we are dependent on the foreign countries not only for the supply of complicated tools and machineries but also for the high-grade technicians to operate them. Placed under conditions like these how are we to create the large army of technicians and trained personnel—engineers, mechanics, electricians, architects, chemists and other—and a larger number of skilled and semi-skilled labourers? These are very baffling problems indeed, and are sure to damp our enthusiasm for any ambitious plan of economic development or national reconstruction. But these problems have got to be faced, there is no escape from them, and have to be tackled successfully without any loss of time. We can create the necessary man-power out of our existing human resources if we fully develop them—by building up their health and physique, by removing their ignorance

and providing them with suitable education—both general and vocational and finally by securing facilities for training and acquiring skill for whomever they are needed.

The best way of tackling these problems is to work on the basis of some systematic and co-ordinated national plans for health and medical aid, literacy and education for all, and vocational education and technical training for an increasing number of our people to meet the needs of an expanding economy. It is not possible for us to go into details about all these plans and therefore we shall take only a few aspects of them—those concerning the vocational and technical education, particularly from the point of view of the man-power requirements in the initial stages of development programme of our economy.

We should begin with our national education plan. The plan should have both its quantitative and qualitative aspects. Primary education should be made available for each and every child upto the age of 11 and also for those adults who are illiterate. After the primary education boys and also girls should go for secondary education for a period of 3 years. This education should be on the whole general in nature, but should be blended with some sort of practical and utility type of education. For this purpose the basic education scheme with proper adjustments, can be tried with immense profit. At the completion of the secondary education there should be a parting of the ways between general and vocational education. A regular selection should be made according to the talents and aptitudes of the students on the one hand and the different categories of man-power requirement of the country on the other, and the students after selection should be directed either for general and liberal education or for vocational and technical education. The guiding principle of our education planning should be to equip our people both for life and livelihood and to assure a regular supply of various types of personnel for

our social, economic and cultural life. In order to achieve these objectives we have to reorganise our whole educational system, firstly by improving its scope and contents and secondly by extending its facilities to cover the largest number of people, if not all, requiring education. In order to implement the plan we should reorganise our existing institutions and should supplement them by opening new ones. The execution of the plan is essentially a problem of time and funds and can be tackled provided the Government are determined to do so. The illiterate adults should be educated by intensive teaching, over a few months. Lectures, demonstrations, radios and films will be of immense use for educating the adults.

The provision of vocational education and technical training presents the greatest difficulty. There are many directions in which we have to start almost afresh, and often under conditions where no facilities exist in our own country for such a start, neither they are easily available in the foreign countries. The task should be taken up immediately by the Government of India. They should work in co-operation with the various Provincial and State Governments and the public. The Union Government should set up a National Man-Power Board attached to the Department of Labour and composed of the experts and representatives of Governments, labourers and employers. The Board should work on the basis of a national man-power budget. It should first of all estimate the number of various categories of man-power required for the country both in the near and remote future and the stages by which they are needed. Secondly, they should determine what part of the total can be raised from the existing labourers with necessary training and retraining and how the balance is to be met, either by training young persons or by importing from foreign countries. Thirdly, they should provide for the necessary training and re-training of both the existing labourers and young persons.

And finally, they should allocate and distribute the trained personnel and skilled labourers to the different industries according to their national importance.

In the absence of any "blue-print" for estimating the total man-power requirements of various types, we take the Bombay Plan as the basis of our discussion. The authors of this Plan are all hard-headed realists who have played an important role in our economic life in the past and will continue to do so in the future, because in spite of nationalisation and expansion of state enterprise, there will be plenty of scope for private enterprise in our country for decades to come. So their figures of man-power requirements for the extension of production and growth of services will give us some realistic idea about them.

The Plan stipulates an increase of 500 per cent of industry 130 per cent of agriculture and 200 per cent of services. For the development of health services we need about 700,000 doctors and 1,400,000 nurses. For education we need 2,000,000 teachers and a large number of engineers, architects, masons and others for the building industry and public works development. For all these we will need about 15 to 20 million technicians, managerial and supervisory staff and high-skilled labourers within a period of 15 years.

This man-power is to be raised by (a) training young persons and by (b) recruiting persons from the ranks of the existing workers by giving them the necessary training and retraining as the case may be and by (c) importing them from the foreign countries for a certain fixed period of time. The training of young persons should include vocational selection, initial training and intensive training, including of course, both theoretical knowledge and practical experience. The selection should be made by experts from the students who are completing their secondary education whereas the training should begin after they have completed their secondary education. Both the initial and intensive training should be com-

pleted as far as possible within our own country by creating the highest and the best facilities here. But in some cases we will have to send a number of trainees to the foreign countries for training. In order to save time and expense the selection should be made as far as possible from the ranks of the persons who have already taken the intitial training and it should be very careful and judicious so that we can avoid the mistakes of the past when students were sent often without the right test.

For imparting the training we need the institutions high precision tools and training implements, men to give the training and the funds to meet the various expenses. It has already been stressed how deficient we are in the supply of these things. The existing institutions are to be reorganised and expanded and new ones are to be started. So far as tools and implements for training and the persons for imparting it are concerned we have to depend to a very large extent on the foreign countries so long we cannot make these tools in our country and cannot prepare our own men to give the training. The government should give utmost attention to these problems and should persuade the governments of Europe and America to help our students by providing fullest facilities when they go to these countries for training.

The ultimate responsibility for funds and everything else should be that of the Governments. They should enlist the active cooperation of the employers, who as a class have not played their due part in these matters either by sending enough number of students to foreign countries for training or by giving facilities to their employees to get the necessary training and skill. A large number of them, like their European counterparts in India have relied on imported technicians and high-skilled personnel. It is quite obvious that the training of young persons will be a long term process and our progress in the beginning will be very slow. So

in the initial stages we will have to depend more on imported personnel and the training and retraining of our adult workers. Their practical training should be provided by taking them as paid apprentices for a fixed period of time in our factories and workshops, which may be started for this purpose or by giving them training in cottage industries. The crafts of the spinners, and handloom weavers, carpenters, blacksmiths, potters and others will go a long way in imparting a high degree of skill and efficiency, especially, manual skill, mental application, dexterity and accuracy. Although, it is true that complicated machines and tools of modern industry are entirely different from those of the cottage industries, but still people adept in their use will be better fitted for factory work than the absolutely raw ones entering factories without the acquaintance with any tools and the discipline of sustained and team work. The mental discipline which is of supreme importance for our people entering industry can best be inculcated under the existing circumstances, through the intensive drive for apprenticeship in crafts particularly through "Charkha" spinning. After their employment in industry they should be encouraged and guided in various ways to acquire the necessary skill and training. The motto should be "learn as you work and earn." The essential condition for this is to make the labour force stable and permanent by giving them security of employment and by creating an interest in their work by improving both their conditions of work and living. It will be of tremendous help to our country if we can convince our labourers on the one hand, that unskilled labour has no place in the productive set-up of a modern country, and our employers on the other, that they have a heavy responsibility for improving the training and skill of their employees and they will not get their man-power of the desired type if they do not cooperate wholeheartedly with the Government in these matters.

It is in the intitial stages that our difficulties will

be very great but things will become comparatively easy afterwards when we have laid the foundation of our new structure. The rate of progress will depend on the ability of our Government and to the extent they can coordinate and develop the various official and private institutions which will participate in the work of vocational education and technical training.

It is quite obvious that for a number of years the supply of these men will fall very short of their demand. Therefore, they should be allocated by the Government and distributed through the employment exchanges to the various trades and occupations according to the priorities determined by the Government.

The conditions of their work hours, health and safety measures in the factory, wages and others—should be improved and the conditions of their living—housing accommodations, sanitary services, rest and recreation facilities should be well-looked after. And lastly, every measure should be taken to give them the security of employment and work according to their skill and training.

These, are very difficult ideals to attain. But with the necessary cooperation of the people and the Government, goodwill between labour and capital and finally with the devotion and determination that the situation needs, it may not be so difficult to attain the ideals put before the country.

## Lecture No. 8

### PLANNING OF PUBLIC FINANCE

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In recent times the nature of Public Finance has greatly changed. Government budgets are no longer regarded as mere balance sheets of administrative costs; but statements of the major economic and employment policies of Governments. It is now universally accepted that fiscal policy exerts a profound influence on the economic prosperity of a country and directly determines the level of employment. Government budgets are a reflection not only of economic, but also of the political structure of a country. By looking at them we can find out whether they are for the benefit of the masses or the classes. A finance minister really caring for the greatest good of the greatest number will tenaciously cling to the principle of 'Maximum Social Welfare.' In the field of taxation or of expenditure, at the time of measuring the incidence or maintaining equity, or of deciding the relationship between state and private finance, he should wholeheartedly follow the principle of Maximum Social Welfare, which is the cardinal point of whole science of public finance.

In India, unfortunately, right from the year 1760 when the first budget was laid down by James Wilson to the year 1946-47, no finance minister ever cared to follow this principle. They formed the budgets of the Government of India, not to benefit the Indians but to swell the already bulging pockets of Lancashire and London magnates. No care was taken to see whether

a tax was just or not, justification was sought afterwards. The Principle of Taxable Capacity was openly flouted and the tax structure was allowed to become quite regressive. Resort to indirect taxes was openly taken in preference to direct taxes. Even a harmonious division of resources between various governing units (Central, provincial and local) in accordance with their expenditure was not sought for. Nation-building Departments were made to starve in preference to heavy military expenditure in order to repress the prevailing discontentment and maintain the political subjugation of India. So long as there was irresponsible government at the Centre, it could flout the opinions of the people. But now that Independence has been won, the finance minister cannot remain oblivious to the pressing needs and aspirations of the people in general and he will have to work in a manner which will ensure the greatest good of the greatest number.

Let us then take stock of the various sources of income and expenditure of our country, find out the defects from which they suffered during the British regime, the tendency which is prevailing at present, and the possibilities of improvement.

In public finance, as opposed to private finance, expenditure comes first and income afterwards. Income is adjusted to expenditure. So let us also start with expenditure first. The most important source of expenditure is *military expenditure combined with police expenditure*: or we can say expenditure on law and order.

#### *Military Expenditure:*

One very unjustifiable feature of public expenditure in India was the large amount of money which was being spent on the military. Even if we keep aside the extraordinary conditions, such as war, when military expenditures rose abnormally, the conditions in times of peace were no better. This fact was so very outstanding that every commission or committee had criticised the

British Government for this wrong policy. The Layton Committee Report says "An outstanding feature of public finance in India is the high proportion (62½%) which current expenditure on defence bears to the total expenditure of the Central Government.....a higher proportion than in any other country in the world.... It is more significant that even when account is taken of the provincial and central expenditures together, the ratio (31½%) is still a very high one." This heavy expenditure on military was the result of the British policy of protecting the Eastern Empire from any invasion and of nipping in the bud any political uprising. Lack of Indianization and high salaries to Britishers (who were dumped into India) combined with inefficient management, resulting in a huge waste of money, swelled the defence budget of India. So touchy were the military experts in the British days that whenever any talk of reduction or economy in expenditure was discussed, they resented it and stood *en bloc* to resist it. But when the Government appointed the INCHCAPE Committee to go into this question and when it recommended certain measures of economy, they were introduced and expenditure reduced.

The supporters of high military expenditure in India argued that in every civilized country we should have internal and external security and for that we should maintain a big army. The hollowness of this argument has brilliantly been shown by the Layton Committee, which pointed out that "security is of course essential if production is to develop; but it cannot be claimed for expenditure on defence either that it is a mere redistribution of income or that it promoted productive efficiency. Indeed, economically speaking it is the most burdensome form of expenditure, and this is particularly the case where, as in India, the army contains a large element drawn from elsewhere."

This was the policy of the British Government. Let us see what our national government proposes to do.

Now that India has attained freedom she will have to maintain a very efficient army particularly in these days of armament, more so when the U. N. O. is probably going to be as powerless as the late League of Nations thanks to the Big Three who have made it a battle field. The maintenance of a big army has become all the more necessary because the burden of defence of the Indian States has come on the shoulders of the Indian Government; and at the same time the attitude of the Government of Pakistan has become menacing, so much so that they have openly begun to belittle the Government of India in the International gatherings. The situation created by Junagadh joining Pakistan and the Pakistan Government inviting all the members of the Commonwealth of Nations to solve the communal problem has very adversely affected the position of the Government of India. We hear that the Pakistan Government has started conscription. This is bound to force the Government of India to have a big army with a view to maintain external security. Further the North West border of India is now many miles broader and its defence will mean a larger expenditure.

This combined with an internal situation which has become very chaotic due to certain tragic happenings, is going to increase rather than to decrease the military and police expenditures of our government. We shall have to increase the strength of our army.

Though the Government of India has brought about some economy in military expenditure by revising the scale of pay and allowances to the military personnel, yet the retention of a large number of British high ranking officers\* at the express request of the Government and the extraordinary conditions prevailing at this time, will definitely increase our military expenditure.

\*The Government of India have now decided to serve notice on all Britishers serving in the Indian army to the effect that their services will be terminated after three months with effect from 1st Oct. 1947, (vide, Amrit Bazar Patrika, dated 3-9-'47.)

*Civil Administration:*

The other important source of expenditure is Civil Administration. India, one of the poorest countries in the world had the unique distinction of possessing one of the costliest administrative machines thanks to the Britishers who thought it necessary to pay high salaries to some of their own countrymen and also to the yes-men of India. This already heavy expenditure was allowed to become unbearable because of the implementation of the Lee Committee recommendations (1924) which resulted in an extra expenditure of  $1\frac{1}{4}$  crores of rupees at that time. Besides costly administrative machinery, the functions of the Government both political and social have also increased in recent years and this has resulted in extra expenditure. Change in the form of Government has meant more legislators, more councillors, more ministers, more parliamentary secretaries, more secretarial staff, and therefore higher expenditure. To give an old instance, in the year 1905, the members of the Executive Council of the Central Government and heads of provincial governments were only 12. In 1921, the number had increased to 51 and this resulted in an extra expenditure of 24 lacs of rupees. This can just give an idea of the drain on the public purse due to this cause. Combined with his, the allowances given to M.L.A.'s and M. L. C.'s tended to increase the expenditure of the central government during British days.

Now that we have gained independence, chances of reduction of expenditure are not very rosy. That is because of increase in governmental activities.<sup>1</sup> The independent India is appointing ambassadors, counsellors, trade commissioners and representatives in practically

<sup>1</sup> To give only one instance, in the 1946-'47 Budget the Government intended to spend 2.25 crores of rupees on reconstruction and planning. The dominion government's expenditure on Refugees is 3 lacs monthly.

all the important countries of the world. We have already appointed ambassadors in England, America, U. S. S. R., China, Pakistan, France, Canada, etc. and counsellors in some of the S. E. Asiatic countries. Expenditures on these are very high. Though the details are not available, yet what has transpired in the press shows that the expenditure is far beyond the purse of India.<sup>1</sup> Not only this, the government of India is also obliged to take part in international collaborations like U. N. O., the International Monetary Fund and Bank, F. A. O., U. N. R. R. A., U. N. E. S. C. O., I. L. O., and various trade conferences. We can just form our own idea about this expenditure when details are lacking.<sup>2</sup>

In our own country, the number of ministers in every province has increased and also their parliamentary secretaries. In Bengal alone the number has gone up to nine. This combined with increased salaries to ministers<sup>3</sup> and their parliamentary secretaries and the rise in travelling and halting allowances to M. L. A.'s has tended to increase expenditure very much. Expenditure on the Constituent Assembly must also be taken into account.

The Government of India has agreed to abide by the Pay Commission Report, which tends to reduce the salaries at the top and increase them at the bottom. The sum total of this report has been that total government expenditure has increased. The Government also appointed Sir Girja Shankar Bajpai to report about the reorganization of the secretariat and the re-

<sup>1</sup> In the 1946-'47 budget 8·92 lacs of rupees were ear-marked for the Indian High Commissioner in England.

<sup>2</sup> The recent budget of U. N. O. is 34 million dollars. India's share of this is four per cent, which she will have to pay. It is nearly Rs. 41 lakhs.

<sup>3</sup> In the centre, the 1946-'48 budget estimates for ministers' expenses was 15 lakhs as compared to 13 lakhs in 1945-'46. In congress governed provinces, speakers, Presidents, Ministers and Parliamentary secretaries' salaries have increased three-fold.

trenchment of war-time clerks. Sir Bajpai has submitted his report but the details are not available and Government also does not seem to be very enthusiastic about implementing those proposals.

This brief review clearly shows that the expenditure of the Government on Civil Administration is bound to increase manifold and the idea of any decrease is out of the question.

#### *Moral and Material:*

During the British regime all the nation-building departments were being starved because the Government did not have money for these after large expenditures on defence. Education received only 6 per cent of the total government expenditure. If we look to provincial expenditure, the picture is not very happy. 14% of provincial revenue was spent on this important source of expenditure. Conditions of other departments such as health, industry and agriculture were also similar or worse.

The National Government will have to increase expenditure manifold on these important departments. Democratic Government cannot rule without educating the masses and the U. P. Government has rightly drawn up a plan for opening more primary and secondary schools. They are to be congratulated on this and their special attempts at educating the village children need be followed by other provinces also. The U. P. Government are also thinking of providing more and better medical facilities to villagers and for this they intend to open more hospitals in villages. Other provincial Governments have similar schemes up their sleeves and they intend to do their utmost in this direction. The Government of U. P. have improved the grades of the teachers of primary and secondary schools and colleges. Though they are not satisfactory, yet they have helped the poor teachers a great deal.

Besides education and health, the Government also

realise the importance of agriculture and industry in national life and are trying to help the development of both agriculture and industries. Though their attempts have not been successful as they are not following a well knit scheme, yet what I want to emphasise for my purpose is that Government expenditure on these various heads will greatly increase and the demand of the people for extra expenditure on the nation-building departments will be very pressing.

Coming to *justice, jails, and police*, we find that there are no chances of any reduction in this sphere also. The Government intend to provide better facilities to prisoners. This will mean that expenditure per prisoner will increase. The number of policemen is increasing and they are being equipped with modern arms and implements of warfare. In U. P. the Government have decided to enlist two more companies of ex-servicemen and similar is the condition in other provinces.

#### *Revenues:*

This brief survey brings one fact to our mind very clearly, that the expenditure of the government, both Central and Provincial, will increase and the possibilities of economy in even those branches where it was considered to be possible are very remote. Our Government will, therefore, have to find more income to meet this growing expenditure. Let us then look to our income side and see how much increase in revenue is possible.

*The Income Tax* is the most important source of income to the Central Government. Its importance can very well be realised from the following table:—

Year	<i>percentage to total income</i>
1938-39	23%
1940-41	33%
1942-43	64%
1944-45	70%

Before the year 1939, the income tax in India was not very progressive in nature. It had also many glaring defects. But since the implementation of many recommendations by the Government of India, the nature of the income tax vastly changed and it became very progressive; so much so that it came to be the mainstay of government's income.

The income-tax as it is now has two main defects. Firstly, it is very harsh on a joint family as the total income of the family is counted as one unit, and secondly, taxable capacities of married people and bachelors are not taken into consideration, as both are taxed at the same rate. In fact there should be some provision for allowances for children of school going age. This is so in England and there is no reason why we should not follow it. The hostility of Britishers to joint families is proverbial and that is why they have never entertained the idea of reducing the burden. It is desirable that there should be either some allowance per earning member or it should be treated as a registered partnership. Further, the government will do well by excluding dearness allowances from taxation for they have been received because of a rise in the cost of living and are not in direct proportion to the rise in prices.

At present industries have to pay income tax, super tax, sur-charges and capital levy. All these combined become so very high that the industrialists of our country are losing all incentive to further production. To give only one instance, if one's income is thirty lacs of rupees, then about 27 and a half lacs goes in paying taxes. Combined with this, are the difficulties of labour strikes, less hours of work, more wages, increased absenteeism, and closing down of factories because of communal disturbances and coal shortages. This tends to shorten the already narrow margin of the industrialists' profit and it is no wonder that they are losing interest and production is decreasing. Our new finance minister, Sir Sanmukham Chetty has said that the Govern-

ment do not contemplate reducing any tax and possibly they cannot in view of the heavy expenditures which they have to meet. But at the same time one thing becomes abundantly clear that fresh increases in the rates of income tax will be not only unwarranted but also distinctly harmful.

*Customs Duties:*

Before World War II, customs duties were the most important source of revenue. But during the war the income tax became first and customs duties second. Messrs. Gregory and Natu have worked out an analysis of important duties and their conclusion regarding the contribution of each class of goods is as follows:—

		1936-37	1937-38
Necessaries ..	..	32.5%	28.4%
Luxury goods ..	..	37.2%	32.1%
Raw materials ..	..	15.0%	24.1% } 39%
Machinery ..	..	15.1%	15.3% }

This analysis clearly shows that the contribution of raw materials is steadily increasing and that of luxuries is falling. Articles of necessity, which are goods of general consumption contribute 28.4% of the import duties while luxuries amount to only 32.1%. High import duties on raw materials and machinery are hitting the industries adversely and retarding the industrial growth of our country. Further, luxuries are being let off easily and necessities are being taxed heavily. Most of the customs duties on necessities come from those things which are used by poorer people more than from those used by the rich. The result is that the duties have tended to become quite regressive.

When we are standing on the road to industrial development and when the most urgent and pressing problem of the time is industrial advancement, taxes on machinery should be reduced and their import into our country should be encouraged. Duties on luxury

goods should be increased and their import should be restricted. The Government of India have done well in restricting the import of luxuries from foreign countries. Though it has resulted in great hardship to our people, particularly so when there is general scarcity of goods all round, yet as a long range policy and considering the scarcity of foreign currency, the step is justified.

The Government should reduce tax duties on machines and raw materials. The imports of luxuries have been banned or restricted. Duties on necessities should be reduced in those cases where they are found to be regressive. Therefore, the income from this source will probably fall in the near future.

*Salt Tax.* The Government of India has abolished salt duties and this has resulted in a loss of 11 crores of rupees per annum. This act of the government cannot be justified economically. The tax was not very heavy and the burden per individual was rather low. The argument in favour of its removal was that it is an article of necessity. But the government are already taxing many articles of necessity under excise, customs duties and octroi and there is no reason why there should be special importance attached to salt. If the government stop levying all taxes on articles of necessity its removal will certainly be justified. Otherwise, except for satisfying some political sentimentality, the government has not acted wisely.

*Excise Duties.* The government charge excise duties on sugar, matches, kerosene oil and vegetable ghee. Though the impact and incidence of these taxes cannot be clearly seen, yet it appears that most of these duties are regressive in nature. Sugar, matches, kerosene oil and vegetable ghee are mostly consumed by poorer people rather than the rich and surely they have to pay more of these taxes. The Government will do well to reduce their regressive nature so that the poorer people may be able to live decently.

*Posts, Telegraphs and Railways.* These were good sources of income to the State. But for the railway and postal strikes, they would have contributed recently much more to the Government revenue. A major part of the income from these sources has now gone to satisfy the demand of the workers for increased wages. The government have increased railway fare at the flat rate of one anna per rupee. This has affected the poor adversely. Surely the increase should have been at a progressive rate. The first and second class passengers have more paying capacity than the third class passengers. The government will do well to remove this defect. The majority of railway fares come from third class passengers and the amenities provided to them are the least. The Government promised to have better seating arrangements and to provide fans in third class compartments. This improvement is long overdue and this should be implemented as soon as the government have some breathing time after the more pressing problems of life and death with which they are faced, and can import or manufacture the necessary equipment.

*Land Tax.* Coming to the land tax which is the most important source of provincial finance, we find that it is a very inelastic source of income. There is no chance whatsoever that the income from this head will increase. Output from land is not increasing and it is difficult to see how income from land revenue can increase.

Other sources of income such as the entertainment tax, octroi duties, house tax, property tax, water tax, etc. are more or less inelastic. They have been tapped to the full under present conditions and unless the general prosperity of the country as a whole increases so that the taxable capacity of the people increases, there is no possibility of increased taxation from these heads.

A perusal of the sources of income and expenditure of the Government of India as they exist at present clearly shows that the income will fall far behind the ex-

penditure. The finance minister will, therefore, be in a very unenviable position. He will have to perform the most difficult task of taxing the people and at the same time pleasing them—a task, which is as difficult as loving and being wise at the same time. Then the new sources of taxation except the agricultural income tax—will be difficult to find and far more undesirable to levy because they will have a tendency either to adversely influence production or to hit the poorer class more and thus become regressive. There can also be some minor sources of income, such as the employment tax, property tax, taxes on luxuries, etc., but they cannot solve our difficulty in bridging the ever yawning gulf. So the only two alternatives for the finance minister will be either to borrow and have deficit budgeting, or to reduce expenditure and bring about some economy. We are not against deficit budgeting qua deficit budgeting. But we are definitely against borrowing for unproductive purposes, as it is highly undesirable and cannot be justified by any canon of public finance. Borrowing for unproductive purposes will leave the Government permanently in deficit for we will never have any extra income for paying the interest and repaying the capital. This will mean that our national debt will go on mounting. Then money in circulation will increase without bringing about proportionate increase in production with the result that inflationary tendencies will get a fillip and will augment the hardships of the people. This will tend to disrupt production entirely, will start and aggravate labour strikes and clamouring for more wages, will increase prices, will increase discontentment, more scarcity ultimately a crash of unparalleled magnitude which may also bring in its train a chaos in national uprising or revolution. The earlier we realise this coming danger the better it will be for our nation. Before this hydra-headed monster, Frankenstein, develops and grows to swallow us we must, with rolled up sleeves and clenched teeth,

prepare ourselves to meet this danger. And the surest and easiest way to meet this danger is to increase production. By some way or the other we must try to increase the production of our country. If production increases, national prosperity will increase and the state shall also be in a position to command a greater and larger amount of money for the purposes of expenditure. So increased production is the problem number one of our country.

It is perfectly true that if production increases the amount of money which the state can command for disbursement will also increase. But the difficulty is that production cannot increase overnight. There will be some time lag and what are we to do? It is, therefore, necessary that we should heavily curtail expenditure in all branches and prevent waste as far as possible. Military and police consume a large part of our income. In order to reduce expenditure in these branches, the Government should start giving compulsory military education to every able-bodied citizen of this country. Every graduate should be allowed to keep arms freely without license and the state should try to widen the range of free license holders till it covers the entire population of the country. This will obviate the necessity of keeping a very large army most of which is used only during the period of emergency. When we have a large number of youngmen duly trained in the art of modern warfare, we shall be able to raise an army almost at once in case of emergency. Then the government should endeavour to get military equipment manufactured in India. This will have two advantages. There will be development of industries and at the same time cheap goods will be available to us. So far the government have not sought the co-operation of the public in the right spirit to quell the disturbances, and maintain law and order. They have depended on the strength of a hired army and police. And the result is not very happy. Gandhiji has said time without number that

howsoever big an army the state should have, yet it cannot stop stray assaults and disturbances of the nature we are experiencing. Unless the public co-operates whole-heartedly with the government the difficulties cannot be solved and co-operation is possible if the government approach the right people in the right manner and spirit. The respectable citizens and the educated gentry of each mohalla and village should be given arms freely and be made responsible for defence. I am reminded of a statement issued by Hon'ble Sri Krishna Dutta Paliwal, Minister of Finance, Government of U. P. in which he pointed out that his Government are thinking on these lines.<sup>1</sup> Let us hope this will be so and it will be a step in the right direction.

The police department is the most corrupt of all departments and the Congress ministers who were the worst sufferers at their hands know it very well. The whole department should be overhauled and the unfit, corrupt and reactionaries should be turned out. Human nature cannot change easily and those officers who had been inefficient or perpetrators of atrocities cannot now change their habits easily. They should either be turned out as traitors or should be made to retire compulsorily.

Coming to *Civil Administration*, we find that recently expenditure on ambassadors has increased very much. The details are lacking but from the information which has leaked out through the press, it appears that the expenditure must be very heavy. It was once in the papers that a certain embassy had demanded from the Government of India two lacs of rupees for furnishing the embassy and another about one lac for purchasing crockery! I think that the function of an embassy is to represent its country truly. The Indian ambassadors in foreign countries should represent India there and should not indulge in imitating the costly methods of living of foreign ambassadors. India's contribution

<sup>1</sup> Vide Amrit Bazar Patrika, dated 28-9-47. P. 1.

to the world is moral. India believes in goodwill, tolerance, morality, care of the poor and needy, good behaviour to all irrespective of caste, colour and creed; forgiveness and so on. The ambassadors should be the carriers of this message of India to the world. If this is done a lot of expenditure in this field can be saved and at the same time the prestige and honour of India in the eyes of the United Nations will surely increase.

Ministers have during the period of this war increased their salaries and allowances due to the rise in cost of living. Formerly, in 1937 the Congress Ministers had established an unique example of sacrifice and public spirit in reducing their salaries and accepting only rupees 500 per month. That created a very good impression. But now they seem to have changed their minds and have increased their salaries and allowances four-fold. This is probably due to the rise in cost of living and the pressing work which they have to perform. Needless to say that along with ministers the salaries and allowances of their parliamentary secretaries, the expenditure of their secretariat and the allowances of M. L. A's have also increased. Had India been rich, we would certainly have not grudged all this. But at this time India cannot afford to keep such a costly administration. We want workers who have the real spirit of public work in their hearts and these posts should not be made prize-posts. The ministers have increased their salaries. We do not grudge it. But it stands to reason that they should bring about the same proportionate change in the salaries of all government servants. That would be justice. Incidentally mention may be made of the austerity plan of the Government of the United Provinces. Ministers propose to live in bungalows of the rental of 300 rupees per month as an austerity measure. If this is an austerity measure, India is doomed. In Pakistan, the Governor General is working honorarily and the ministers of the Central Government are accepting only rupees 3,000 per month. But in India no such measures

have been enforced. Our expenditure is as costly and heavy as before.

Coming to various *Government departments* like posts, telegraphs, railways, secretariates, etc. we find that they are very inefficient and very costly. Most of the time, workers there waste their time talking and loafing. They do not think in terms of national wellbeing. They have worked for a foreign government for such a long period that their entire mentality has changed. They will have to be taught the ideas of nationalism and national welfare. Their outlook will have to be changed. The government will have to show that jobbery and nepotism have no place in this government. There is undoubtedly very great scope for economy and efficiency in all government departments. I am told that in Japan trains and trams were never late by more than a minute. This is efficiency and why should we not imitate it?

These are some of the ways in which economy can be effected. If the government is really serious many good results can be obtained and at a lesser expenditure.

Before I close I may as well point out that there is a great necessity of establishing an expert commission to go into the complicated question of incidence and burden of taxation. Such a Commission is long over-due and before we bring about changes in our tax structure, we should know the nature of our taxes and how they affect the people of various strata.

## *Lecture No. 9*

### FREEDOM AND ECONOMIC PLANNING

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Freedom means the right to make certain choices. Such a right pertains to every sphere of life, economic, civil, political, religious, etc. We are concerned with it in the economic sphere mainly.

Under the capitalistic system, the system of free enterprise, the following main choices are open to individuals and are made by them:—

1. *Choice of production.* Every individual has the right to produce what, and as much of it as he likes to produce. He can produce it at any cost and with any technique and factors of production.

2. *Choice of profession and occupation.* Every individual has the right to enter any profession and to take up any occupation that he cares for. This carries with it the right to work as many hours as he decides on and to use his leisure in whatever way he wants to.

3. *Choice of terms of exchange.* Every one is free to offer and demand what prices he wants for the goods and services he demands and supplies.

4. *Choice of saving and investment.* Every individual has the freedom to save and invest what proportion of his earnings he wants to.

5. *Choice of consumption.* Every individual is at liberty to buy with his income what goods and services he cares for and consume them to the extent to which he thinks fit.

With regard to these choices, it must be observed

that they are not absolute. They cannot be indulged in to an unlimited extent. Theoretically they can be but in practice not. They exist within limits. The limits to them are set mainly by the financial resources available to individuals except in the case of choice No. 2 where it is a question of what professions and occupations one can go in for and what hours of work are fixed there.

What will be the fate of these choices under Economic planning? Economic planning signifies the rational control of the economy of a country as a whole by the central authority with a view to the attainment of definite ends. It means that all the productive resources of a country are brought under the State and the State directs the use to which they are to be put so that certain objects which are thought desirable might be achieved. The State determines what is to be produced, how much of each commodity is to be produced, how much of the savings are to be saved and invested, in what channels labour is to be directed and at what prices goods and services are to be exchanged. Planned economy is a deliberate, correlated, purposive economy. It permits of no struggle or competition. Its essence is, in the words of Ropke, "to replace the mechanism of the competitive market by commands from above and to transfer all the important decisions over the use of productive forces of the community into the office of a government department."

This is full fledged economic planning or State economic planning. Its principal implications are *de jure* or *de facto* abolition of private property in the means of production and substitution of State enterprise for private enterprise. Free competition and the free market disappear under it. Without all this it cannot hope to be effective and successful.

Which means that the choices, enumerated above, which are enjoyed by individuals under the system of free enterprise, will be adversely affected under a planned

economy. They may be suppressed wholly or partially, or some of them may be done away with and others allowed to remain. If they are abolished totally, the State control of the economy is absolute, otherwise it is not so. To what extent the State will suppress them is for the State to determine. But wherever it draws the line one thing is clear. This is that it will not permit any choices to continue which are likely to stand as hurdles in the way of the achievement of the objectives of the plan.

The question now arises—Does the abolition or restriction under economic planning of choices open to individuals under capitalism necessarily mean in every case loss of freedom; and is not the loss, whatever it be, at least made good if it is not more than counterbalanced by the gain? The answer to the first part of this question is ‘not necessarily’ and to the second part “The loss is recovered by the resulting gain—more than recovered.”

To explain this answer we might differentiate between the following kinds of freedom:—

1. Between freedom that is wanted and freedom that is not wanted. There is a number of commodities which people have the choice to buy and there is a number of jobs which they have the choice to take up. But if they do not want the commodities and the jobs the taking away of their choice will not involve any loss of freedom whatsoever.

The regulation of the hours of work of labourers, the ban on the employment of women in mines altogether and in factories at night and the prohibition of child labour below a certain age are all instances of the suppression of the liberty of workers to work as long as they choose to, of women to work where they choose to, and of children to work, or of the parents to let their children work at whatever age they choose to. But this suppression is not a loss of their freedom because the freedom is not wanted by them.

Similarly in every walk of economic life there exist freedoms that are not cared for. They can be suppressed without any loss of freedom being suffered.

2. Between freedom for the few and freedom for the many. To have large estates, to own big businesses, to be the proprietor of a number of houses, to live in palatial buildings, to keep a host of servants and to enjoy all the comforts and luxuries of the world, are choices which are actually indulged in by the 'haves' only, who constitute an insignificant minority of the community. They cannot be resorted to by the "have-nots" who are in an overwhelming majority. And these choices of the rich few are often in conflict with the freedom of the poor many. In practice they turn out to be the freedom of the rich to exploit and despoil the poor—a curtailment of the freedom of the latter. There can be no doubt that if such freedom of the 'rich' minority is chopped off the loss of freedom that this minority will undergo will be made good manifold by the gain of freedom for the poor majority.

3. Between formal or negative freedom and real or positive freedom. This is akin to the above but not the same. Most of the choices that are open to individuals are open to them in theory only not in practice, in form merely not in substance. They imply simply the absence of legal restraint on the freedom of individuals to live in comfortable houses or hovels, to be clothed decently or in tatters, to eat wholesome food or its opposite, but not real or positive freedom actually to carry out their choices in action. Most of the people do not get this opportunity because they have not the wherewithal to put them into practice. Real freedom can come when the wherewithal is at their disposal.

If the formal choices are abolished the liberties of the people are not actually curtailed.

4. Between desirable freedom and undesirable freedom. The right to make choices that people are allowed makes no distinction between the desirable and

the undesirable between the beneficial and the baneful. The producers are at liberty to produce health giving foods and drinks as much as those that undermine vitality, and to place on the market goods and services that have educative and aesthetic value as much as those that spoil taste and artistic sense and demoralise man; and the consumers have the freedom to buy the former or the latter, to have their body and mind soundly developed or woefully impaired. In the same connection may be noted the freedom that through bad education, prejudice, tradition and superstition leads to great harm and waste. Freedoms of the wrong type are not worth while preserving. They can be removed with great good resulting to society morally, culturally, physically and economically. The gain will by far outweigh the loss.

What the above differentiation conveys is that the freedoms that exist are not for most of the people real, are quite often undesirable and are for the few only. The freedoms that are wanted are what will be real, desirable and for the many. And either no loss of freedom is undergone by the former being given the go by, or the loss which occurs will be recompensed by the gain following their suppression and allowing a free play to the latter.

When these freedoms come, freedom will really dawn upon human beings.

How can genuine freedom come? The answer to this question is that it can come only if security is assured to the masses. They are being oppressed by five monsters—want, disease, squalor, ignorance and idleness. Of these the first and the last are the most terrible. This is so because the others live on them and mostly because of them. Unless they are exorcised, security cannot be guaranteed to the people and without security being provided people cannot feel free. No one who does not know where his next meal is to come from is free to think of anything other than to make sure of

that meal and no one can be sure of the meal unless one is fittingly employed.

But the demons cannot be driven away of themselves and security cannot spring from the air. They have to be forcibly expelled and security deliberately brought into being. But how are we to do this? This can be done only by national economic planning. Free enterprise has been among us for about two centuries now. It has served humanity a good deal. It has increased output tremendously and introduced a great variety of products. But it has not provided security to the masses. It has not driven away the monsters of want and idleness and of disease, squalor and ignorance. This has been so because it is motivated by profit. There are works that await being undertaken, there are jobs that need being done, and there are resources both human and material lying idle that can be employed, but the works are not started, the jobs are not created and the idle resources are not employed unless and until private enterprise is sure that all that will bring profits.

Then even what is produced is not satisfactorily distributed. Private enterprise has no doubt solved the problem of production. But it has miserably failed to tackle the question of distribution. Consequently, it has brought into being awful inequalities which work their way from the economic field into the other fields of life and lead to all sorts of economic, social, moral and political crimes and cut at the roots of liberty.

Worse still, at intervals which occur more or less regularly, free enterprise meets with woeful disaster. The whole machinery of production, exchange and consumption comes to a standstill. Goods exist in plenty and there are numerous people who need them badly but they are not disposed of because the prices that come to rule are unremunerative. Instead of satisfying the hunger of the underfed or the unfed and clothing the naked, they are either burnt or thrown into the sea.

Unemployment at these times mounts up to giddy heights. Want and idleness become rampant. The demons work havoc.

All this being so free enterprise cannot make for security. The hope in this connection lies in State economic planning. It was stated above that economic planning is purposive. It might be resorted to to attain a number of objectives. At times, they might be economic, at times political. But from the point of view of the present discussion, the goal is one—to bring about security and therefore real freedom. This central goal can be split up into a number of sub-goals like maximising output to the full extent possible, raising standards of consumption, removing inequalities, providing full employment etc., etc. These sub-goals all merge into the head goal—security, and contribute towards its achievement.

How does State economic planning bring about security and ensure freedom? It does this in the following way. The State makes up its mind that security has to be brought into existence—that is, it clearly sets security as the objective to be attained. It then prepares a schedule of the actual and potential human and material resources on the one hand and of the needs of the community in regard to everything on the other hand. The resources are taken charge of by the State—the actual resources, and the potential resources are developed. All energies are then devoted towards utilising them so as to produce goods and services enough to meet the needs of the people within a specified period. As there are plenty of needs to be satisfied, plenty of businesses can be started and plenty of men can be employed. The profit motive which is the guiding principle of private enterprise has no place in a planned economy and therefore does not prove a hindrance in the way of businesses being expanded or multiplied and jobs being provided.

Then all barriers to the free use of labour and other

resources for purposes of production are abolished and a fluidity of labour and other resources is brought about. No one is either permitted to refuse to do a job which is assigned to him or is prevented from taking up a job that he is fit to do.

The whole industry and the whole productive effort of the country being in this way directly controlled, guided and stimulated by the State, and on behalf of the State, increase production by leaps and bounds and provide job to millions.

Finally, what is produced, and it is very much indeed, is suitably distributed among the people.

Thus State economic planning abolishes want and idleness, makes for security and brings about positive freedom. The abolition of disease, squalor and ignorance might go side by side with the disappearance of want and idleness or come somewhat later—but it does come—at the same time rather than later.

The positive freedom that State economic planning ushers in is the wanted freedom. Unlike negative freedom which is merely absence of legal restraints, it works through restraints to offer the people opportunities of self-expression. In the Soviet planned economy, it is positive freedom that exists and its results are pointed out by Laski. Says he “If the Russian worker may not criticise Stalin as the British worker can criticise Mr. Attlee or President Truman, he can criticise his foreman or the manager of his factory in a way that is not easily open to the British worker. If his means are narrow, his housing poor, his career is not limited by his birth, he has no fear of unemployment or of old age. His health is a national concern; the well being of his children is the first care of the State.” His labour power “confers on him dignity because it has ceased to be a commodity that is bought and sold. He has felt for a generation the zest of a great adventure . . . And what is true of the working man is even more true of women.” . . . That the communist dictatorship has in fact achiev-

ed for millions the sense of a capacity for growth seems to be beyond the possibility of serious denial. That sense of a capacity for growth, which enables its possessor to affirm his or her personality is the very secret of freedom." "It is impossible not to notice in the Russian worker a pride in initiative, a sense of new horizons of opportunity, a refusal to be confined to ancient standards, which have made Russian freedom in industry on balance positive and not negative."

This conception of freedom is a modern conception—a very recent conception—the conception of freedom from insecurity, from want, disease, squalor, ignorance and idleness. As expressed by the late President Roosevelt and defined in the Atlantic Charter, it is 'freedom from want' and 'freedom from fear.' The old conception of freedom was quite different. It referred to freedom to work as many hours as one chose, to send children to factories and farms, to pay starvation wages, to charge monopoly prices, to sell wretched goods, to destroy raw materials and finished products when remunerative prices are not to be had, to amass undreamt of wealth, and parade it shamelessly, to despoil and beggar those one can.

The old conception of freedom is not cared for these days as it is seen that the type of freedom it connotes is either harmful to those who possess it or is enjoyed by an infinitesimal number of people at the expense of the masses and spells 'unfreedom' to the latter. The new conception of freedom is appreciated to-day, because the variety of freedom it implies is for the many and affords opportunities of self-expression to them.

To sum up the whole discussion: Security is essential for freedom to exist. Security comes through economic planning only. Economic planning involves suppression of certain choices open to individuals and the emergence of certain other choices for them. When a balance-sheet of the losses and the gains is drawn up, the balance will be found to be on the side of the

gains rather than the losses. It will be a positive balance and not a negative one.

But when this is asserted, it must be clearly pointed out that it is asserted on the basis of one assumption. The assumption is that economic planning is in the hands of the right people—honest people who have at heart the interest of the general public and are earnest about promoting it. If this is not the case, economic planning may be altogether disastrous for liberty. Economic planning is as stated already central direction of the whole economy by the State. It amounts to concentration of all economic power in the representatives of the people—those who guide the State and hold political power. If they be unscrupulous men who care for their own interests rather than the interests of the people, they might be led to use the power that is placed in them for their own nefarious purposes—their own aggrandizement. Under such circumstances economic planning might land the people in a tyranny worse than ever experienced.

To guard against this danger is the problem that has to be tackled. It is for the people themselves to tackle it. It is for them only to safeguard their freedom. Whether they are able to do it or not will depend on what kind of people they are. Barbara Wooton rightly declares, "In the end, the general guarantee of freedom is that we all be intelligent, alert and informed, determined to discover our liberties and to demand them for ourselves and for others on less than in the large and fine-sounding terms of a general political programme." In other words "Eternal vigilance is the price that has to be paid for liberty."

We have spoken about liberty in the economic field mainly because it was with this that we were generally concerned. There is, however, as noted at the outset freedom in other fields also—like personal freedom, freedom of speech and the press, freedom of association and freedom of worship which are prized very much. We

might say a word about them to complete the picture. It is that there is nothing inherent in economic planning that can bring about their destruction. But the State may deem it fit, at one time or another, to end them in whole or in part. If this is done in the general interest, no objection can be taken to it. Every State does it for that purpose at times. If, however, the State does it from other motives, then it is certainly something to be concerned about. But in regard to these freedoms as much as in regard to those previously considered, it is for the people to look after their freedom. The price of liberty, it might be repeated, is eternal vigilance.

Lecture No. 10

## PLANNING PRICES AND MARKETING

*By MAHESH CHAND*

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The title of this talk is slightly misleading. The title has been allotted for a discussion of the planning of the agricultural prices and marketing. Non-agricultural prices and markets are therefore out of the scope of this talk and shall generally not be referred to.

Agricultural prices may be planned to secure *inter-alia* maximum marginal production, full employment to a greater degree, a reduction in price uncertainties, or an increase in consumers' welfare. In other words, agricultural prices may be used to ensure greater incentive to a better use of the natural and the man-power resources of the country, to do away with undue, rather undesirable price fluctuations, to make available more goods and services to our people.

### *Price Mechanism in a Free Market*

The price mechanism in a free (and competitive) market is—rather has been—expected to secure these ends, but in practice it is found to lead to certain defects. Three of them may be mentioned here. One, there is a time-lag between prices and production. It is true that such a time-lag exists even in regard to non-agricultural production, but the maladjustment of production to prices is greater with regard to agriculture. Two, when the general price level falls, there is a greater fall in agricultural prices. Hence, there is a more deterioration in the economic conditions of the agriculturist as also

an increase in unemployment and under-employment. The converse is also true but only for sudden and abnormal rises and not for slow increase in the general price level. Occasions for sudden and abnormal rises are few and far between. Three, the relative prices of agricultural commodities do not reflect the consumers' choices (or urgency of wants), particularly when the general price level is rapidly going up and down. Hence the necessity for planning the marketing of agricultural produce.

I would therefore pose two questions. One, what particular price should be ensured to the tiller of the soil ? Two, what modifications should be made in the existing markets, with special reference to the extent to which state-trading may be introduced.

#### *Limitations of Price Policies:*

It must be noted at the outset that prices are not the ends. That is a mistake which is likely to be committed in U. S. A. where the people say that crop-control, loan-rates, support-prices, etc. are to be used to achieve parity prices. Prices are only a means to guide and facilitate economic activities for greater welfare.

It must also be noted that agricultural prices are not likely to prove effective in distributing labour between agricultural and non-agricultural occupations. By themselves, they cannot close the gap between the labour-earnings in the two fields. Two reasons may be mentioned in this connection. One, labour in agriculture is a residual claimant; it accepts whatever is left after others have exacted their dues. This holds good for the labour of the "tiller of the soil" and even in general for the employed labour on the farm. Two, those engaged in agriculture generally look upon it as a way of life and not as a way of business. Both these reasons are more true for a country like ours.

In fact, the 'way of life' philosophy of agriculture and the lack of education explain to no small extent why

the Indian cultivator does not react to changes in prices as quickly as he should. Yet, partly to solve the problem of scarcity which is being experienced in the short period and mainly to control the threat to wide fluctuations in agricultural prices—both those received by the producer and those paid by the consumer—our government seems to be very much in earnest about interfering with the prices and the price-mechanism.

#### *Stabilisation of Prices:*

For some time ‘stabilisation’ of agricultural prices has been receiving the attention of officials and non-officials. The idea of parity-prices seems to find a growing favour. They consider that prices of different agricultural commodities, agricultural prices and non-agricultural prices, as also internal and external prices should sink or swim together. In some of the foreign countries, particularly U. S. A., the farm-leaders abandoned the fight for monetary reform and a stable price-level and turned to lesser objectives of securing specific farm-product prices. Parity prices have enabled them to bargain more successfully for specific price advantages and to put forward more concrete evidence of their achievements. This is a short-sighted policy and we in India should not commit this mistake.

For India stabilisation of agricultural prices appears to me to be neither desirable nor practicable. Two reasons may be mentioned for its undesirability. One, stabilisation is generally related to the conditions existing at a certain time (or period). Consequently the danger is that it may perpetuate an agricultural condition unnecessarily. Alternatively, a twist in the wrong direction may be given—a mistake which would be similar to the mistake committed by the Hilton Young Commission which stabilised the rupee-sterling ratio at one shilling and six pence. Two, stabilisation ignores changes in economic conditions and consumers’ choices. It may be added that India is still an undeveloped coun-

try. The development of industries including subsidiary industries, the abolition of the non-cultivating intermediaries in agriculture, better credit and cultivation facilities may well—indeed, are most likely to lead us to a situation where stabilisation of agricultural prices would not attract us.

As regards the impracticability of stabilisation, two factors are most important viz., lack of statistics and lack of trained sincere hands and agencies. The first precludes us from saying what the production budgets of the cultivators are and how these vary in different parts of the country. We do not even have the family budgets of the cultivators and are therefore ignorant about the nature of the expenses. In the absence of these fixation of price-levels would be arbitrary in the ultimate analysis. The second defect would sabotage any scheme of stabilisation. Our experiences with regard to the working of price control and rationing are enough testimony of the dangers of working any such scheme with the help of untrained hands and private agencies.

#### *Production Targets and State Trading:*

Yet the question remains what steps may be taken to ensure that certain production targets are reached in the short period and that certain price fluctuations, which are irregular, cyclical, seasonal or otherwise dependent on time are ironed out. With regard to the first, the state may declare from time to time certain definite minimum prices. The announcement should be made before the time when the cultivator takes his decision as to what he shall grow. The prices should be declared in advance for a sufficient period of time to enable the farmer to complete at least one production period. These prices should be such as to bring about the desired production: they should constitute the minimum that the cultivators are to expect. But this remedy would involve the State in the pur-

chase and sale of the commodities for which a minimum price has been declared by it. Purchase at a time when prices go below the minima will usually leave a stock with the State. It may be expected that the State would dispose of it when there is a scarcity and prices are going up. Unless the scarcity is artificial, such as may be caused by middlemen, it is due to decreased production. When the production goes down, the cultivators are likely to suffer a decrease in income if the prices are not allowed to rise. Prices are likely to get depressed if the State sells the stock at the time of high prices. An upper limit to the prices shall therefore have to be fixed and the State shall sell only when the upper limit is crossed. There must be substantial difference between the lower and the upper limit so that the compensatory character of rising prices is not lost to the cultivator. Since State purchase and sale would thus be involved, it must be made clear at this stage, that such function would never be desirable in regard to perishable commodities. Also, the State will be well advised in that case to have storage arrangements such that commodities do not deteriorate in the stores. Personally, I consider that it is going too far to advocate state-trading for attaining short period targets of production. The State should adopt other means to encourage increase in production. It may grant concessions in rents, irrigation charges and other levies. It may subsidise distribution of seeds and manure. It may lay down acreage-restrictions.

#### *Cooperative Marketing and Distribution:*

With regard to the price fluctuations, the remedy lies in the system of marketing. The fundamental question which alone will be taken up in this connection concerns the agencies of marketing.

The three possible agencies of marketing are: private, co-operative and State. In India most of the agricultural produce passes through private agencies, both in the collection and the distribution market. The

Indian cultivator has long suffered at the hands of these intermediaries between him and the consumer. At one end, they have exploited him. At the other end the consumer is also fleeced. The remedy lies in introducing a competitive alternative agency in the form of co-operative marketing societies and co-operative consumers' societies (otherwise known as cooperative stores). These institutions are not unknown in this country. No doubt these societies have not developed quantitatively and qualitatively to the extent that they should. The reason for their tardy growth does not lie in any defect in the co-operative principles but rather in the apathy of the State of the past. Today we have State trading and according to the statement made by the Food Member recently about half of our population is being fed on controlled and rationed basis. It is also unlikely that we shall be able to do away with the controls for some years. It is highly desirable that this opportunity be used by the State to organise and develop the system of cooperative purchase and sale for procurement and distribution work. Since a cooperative society serves its members and is managed by them, it can serve the producers and the consumers more efficiently than the private agencies.

From our experiences of the type of work done by the cooperative societies in Madras, Bombay, Travancore, we can say that the cooperatives have served the ration-receivers successfully and efficiently. In these areas about one-third of the civil supplies and distribution work is managed through the cooperative societies. I have emphasized above that while the present state-trading exists on account of emergency conditions, cooperatives should be developed. It must also be said that to deal with the cyclical fluctuations in prices, the State should help the cooperatives to have godowns. Rather, let there be a godown for each village or a number of villages, where the surplus stocks may be stored.

Does it mean that State-trading should be given up

altogether? Yes, but not just now. Not till the present emergency lasts. Possibly not till the alternative cooperative system is made stronger.

#### *Regulated Markets:*

Incidentally, it may be mentioned that to some extent private marketing agencies can be cured of some of their evil practices by developing regulated markets and this should be done.

To conclude, India is still an undeveloped country. Industrial development including the development of rural industries, abolition of the non-cultivating intermediaries on land, better organisational and cultivation facilities and monetary reforms, including better agricultural credit, are very likely to solve the problem of surplus labour in agriculture, low productivity, low per capita earnings and even consumers' welfare. In order however to remove the price uncertainties and reduce the exploitation at the hands of the middlemen, the present times when we have controls and rationing should be utilised to organise and develop a system of cooperative marketing and distribution. The State should also see to the construction of godowns in the villages, and should establish regulated markets.

Lecture No. 11

## PLANNING OF INTERNATIONAL TRADE

By PRAYAG DAS HAJELA

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A time there was when all economic progress was linked up with the fetish of laissez-faire. And nothing was done that could put up battle against the doing of individuals. It was imagined that individual self-interest would work itself out into maximum benefit to society and no checks whatever should be put on its working. Now comes the time when we see our disillusionment. The self-interest of men worked out to their good, personal and private, but to the masses it brought poverty and degradation. And a grave inequality stares all nations in the face. All thoughts, therefore, are getting shifted to the consideration of bringing down this inequality. National planning seems inevitable everywhere.

As with individuals constituting a nation so with the nations constituting the world. Free trade was allowed to grow in order that the countries acting in accordance with the principles of international division of labour and comparative costs might boost up each other's advantages and help to establish a reasonable standard of living and employment throughout the world. But much of that which has happened so far is terribly depressing and unless ways are found to arrest this freedom of trade, things are bound to take more depressing shapes. The world needs immediately some proper regulation or planning of its trade in order that all get a share in life and those ghastly inequalities of income which threaten the world

with an impending economic crash are brought down to a reasonable minimum.

All that has been done in this direction so far has been more sectional than international. Each nation makes frantic efforts to go up to the highest, leaving others as much behind itself as possible. The feeling that all should go together or else bad things will follow has not been much in evidence. And even where the evidence of it exists, the desire to achieve "autarky" or "economic self-sufficiency" has obscured that feeling, throwing it far off in the background.

The result inevitably is the widening of the economic inequality amongst nations. For the rich have got richer and the poor, who were crippled from the very start and whose purse did not allow them to heal up their economy and make it sound have naturally grown poorer for their existence.

Inequality of income sharpens inequality of opportunity, the banishment of which, as pointed out by Prof. Rosenstein Rodan is as much necessary between the different nations of the world as it is between different classes within the same nation.

But is it autarky which causes and deepens this inequality or a desire to go beyond and eat up others' shares also? Autarky itself is not bad provided it is backed by a reasonable ambition. But when nations make a bid to capture markets for themselves, ousting others from the field and monopolising all for themselves trouble is sure to arise.

Nothing would be more welcome to international planning than the existence of self-sufficient nations mixing with each other on terms of equality and in absence of any insidious motive to monopolise all wealth for themselves. The task of planning international trade would be tremendous if inequality between nations is sought to be removed by imposing a top heavy structure which taxes the pockets of the richer countries and shifts the income on to the poor. This

task can be done only if the world has come to be ruled by a single authority backed by all the administrative paraphernalia needed to manage a modern government. But far, very far seems this dream from being realised.

*It might be asked here whether if all nations become self-sufficient, there would exist any need for international planning at all.* This question arises out of a misconception about self-sufficiency. Self-sufficiency does not imply that a nation will necessarily produce all the million and one things needed by its people; it only implies that it will try to produce as many out of them as it thinks it can at a reasonable cost. The question of cost being reasonable appears slightly ticklish and vague at first sight, but it is not so in reality. For most of the things that are produced through industry, the cost will not vary greatly as between the different countries of the world provided each has achieved, through the attempts at autarky, almost the same degree of industrial efficiency. And for such things, therefore, the problem of the cost being reasonable in one country as against the rest does not arise. Such a problem would arise in case of only those commodities which admit of specialisation.

Broadly speaking they would include agricultural and mineral products on the one side and some industrial products like textile woollen cloth and highly technical machinery on the other. These have a basis on factors of nature and climate and cannot be turned out at the same or almost the same cost everywhere. In cases like these then the question of international trade would inevitably arise. And in order that this trade may be on a multilateral basis and the exchange relations between countries may not remain unsound, the existence of an international organisation to plan this trade is necessary. The number of commodities to be planned for being small, owing to each nation producing its own maximum for its needs, the organisation would be able to work with greater efficiency and success.

But this, however, is the later stage. What till

then? What during the time the nations have not achieved the wanted self-sufficiency? Obviously enough all the energy of the world during such time should be directed towards the augmentation of this national self-sufficiency. This task of national self-sufficiency needs great international assistance no doubt. But it has primarily to depend upon the nation concerned itself. It is that nation which has to work out its internal and external trades in a wise manner; it is that nation which has to decide how much it should import and how much and of what type it should export and on what basis and terms of exchange with the countries trading with it. Planning of foreign trade thus, is the first step towards the achievement of autarky without which planning of international trade would put up formidable tasks of distribution. The solution might baffle the best of men and lead to failure and catastrophe.

The national planning of foreign trade makes use of about half a dozen devices. Tariffs, quotas, currency management, foreign exchange control, licensing system and state trading.

The tariff has been the most popular of all the regulations of foreign trade. But its popularity is now declining. For its capacity to restrict imports has a short innings and dies out as soon as the prices have become high enough to enable the importers to pay their duties out of the increased margin. Tariff, moreover, has led sometimes to the growth of weak industries within the national borders. This, however, is not any fault inherent in tariffs but in the laxity of that management which sees to their application.

There are the systems of licensing and the allocation of quotas. Quotas are a fine device for striking mutual bargains between countries. But if they give rise to a deepening of bilateral trade at the cost of multilateral, they are highly undesirable. Licensing systems are complicated in their working, though the rise in price that is caused by them is much less than is caused by

other devices. If importers do not agree to bring down the price to reasonable limits, the licensing authorities might cancel all licenses and let foreign goods come in to compete with their own in their market.

Other means bearing upon foreign trade and planning are those linked up with the factors of currency and foreign exchange. These generally work through the depreciation or appreciation of the foreign values of the national currency.

But all the above ways for the regulation of foreign trade do not imply that thoroughness which planning involves. The one way to achieve that thoroughness is the state monopoly of foreign purchase and selling. But such a monopoly implies control by the state of the internal economy of its people. Russia has been able to achieve this monopoly for very obvious reasons and some other countries too are making a trial. Where state control of the economy is perfect, not loose, the efficiency would be maximum beyond doubt. But in other cases, too, quite a good measure of success can be achieved provided the state takes up for itself the trading of such commodities at least, as happen to occupy an important place in the items of foreign trade. And this, one would agree, is a nice expedient for all those countries whose economy is backward, and has to rely on the doings of private capitalists, probably more than on the doings of the state.

If each nation makes a bid to improve its lot, will it not happen that the clash of interests of each with the other will become frequent and the threat to our international economy will assume far greater proportions ? The fears indicated in this question have come true in the past and the future also holds no promise that this would not be so. Already a big economic crisis looms large on the horizon and throws us a challenge. This crisis would not be sectional that other nations might be jubilant and bye-pass it. It would be disastrous for all and for each and none from U. S. A. down to the coun-

tries in Asia would be spared the flames of its fatal fire. We have a world organisation for co-ordinating trade or, say, we are shortly going to have it; and we also have an International Bank and a Monetary Fund to help other countries to correct their economic disequilibrium. And yet the resolution of this crisis seems slipping out of our hands.

What then is to be done and how or in what way can we avoid such a crisis? I, personally, am of opinion that no amount of world cooperation can be helpful to us unless political and economic schemings are banished from amongst international dealings. To the question of the clash of interests, therefore, there is no other answer but this that the nations of the world come out with an open heart and with a sense of justice and fair-play and demand nothing more than or beyond that minimum which conduces to the attainment of their national self-sufficiency. The question of more or less is related to circumstances and can be easily solved in terms of mutual adjustments. Where honesty exists and a desire that none should be deprived of the share that is his due the line of adjustment is no curve, but a straight line. It is only when we are dishonest that we begin moving up and down, far away from the position of equilibrium.

In the present context of economic inequality, it should be the duty of the United States and the other advanced countries of the world that they do all that lies in their power to assist the less advanced countries of Asia and the Middle East in the task of their national reconstruction. There is a dearth of almost all kinds of consumers' goods in Persia, Palestine and the Levant States. In India, too the position is weak and has been aggravated by the shortage of cereals.

Then there is the need for machinery and other capital goods for purposes of industrialising the backward countries. The need for such goods in India is imperative. But her difficulty, like that of many other coun-

tries, is the lack of funds. In India's case the position is absurd but it exists and we accept it, though with a grudge. A huge debt is owed us by England but we are not being given back our debt in order that we might use it in purchasing the capital goods we want. The piecemeal arrangements that have been made are more in the interests of Great Britain than in those of India. Iraq and Egypt are also in the same position. But bigger powers show a just by-the-way concern over the whole affair. In fact, a great indifference is being shown by them towards India and the backward countries with respect to their demand for goods and money. The Marshall Plan is the most glaring example of the callous by-passing of Asia by the big powers. The International Fund and the Bank have five words to say for the backward peoples but their doings take them only on the side of the leading powers. Let it be frankly told them that European economy is not the same thing as world economy and hence all efforts meant to concentrate on this sectional advancement are bound to fail and bring humanity to far greater ruin than we ever have had in the economic history of mankind.

It is true that the backward countries have been allowed the use of tariffs and other quantitative control devices and have also got the sanction for controlling their foreign exchanges. But all this would not accomplish much. Unless proper plans are made to assist these countries with goods of all types and funds are made available to them, the betterment of their lot would continue to be a serious problem. The institutions for formulating these plans exist no doubt; but their attitude in this matter is not very hopeful.

There is no way out of the situation except an honest declaration on the part of the advanced countries that they would give up the manœuvring for power they have been practising of late and place the surplus resources of goods and money at the disposal of the backward peoples of the world.

India's contribution in the task of setting up a new world order is humanity's due. But her position at present is too weak to let her make that contribution. The parting kick of the British has made her position weaker still and she finds herself in the midst of an upheaval. Looting and arson and cutting each other's throats give a further blow to her economy. India's division has changed the very character of her trade with respect to some commodities. Jute, for example, becomes an article of foreign trade now; so also food has to be got from Pakistan. In face of an already deteriorating foreign exchange position, this shift in the items of trade is a wholly unwelcome change. But there should be no grudging about it. For the change has been effected by the consent of the people.

Let us make the best of a bad bargain. India's wealth is vast though latent. And if only the people and the government cooperate in the task and foreign good-will is not lacking much can be done by way of achievement. There is no question of the introduction of any wholesale planning at this time but a beginning in the direction of partial planning can be made all the same. When such a beginning has been made the State would be in a better position to make use of the device of state monopoly of trading. And this combined with other devices, suited, of course, to the circumstances of the case, would take us a long way toward the resuscitation of our economy.

Apart from this, there should be set up a Foreign Trade Organisation entrusted with the task of exploring out markets. But the explorers from India are not to go out with any attitude of dishonesty. The mediation in China and in the Middle East is motivated by a desire for economic exploitation of these fallen countries and a big clash is already becoming apparent. India should be no party to this clash but should stand on the justice of her claims that she too should have a share, commensurate with her vastness and the strength

of her population, in the markets of the world. The West have had enough, let others too have something now.

All the neighbouring countries to India—China, Malaya, Siam and Vietnam, Persia, Arabia and Palestine—are in need of consumers' goods and if only India could supply these to them, the markets would have been obtained without much difficulty. Markets for India can be available in the Latin American countries also. For in those countries happen to live quite an impressive number of the Indian community mostly engaged in the trading occupation.

The Foreign Trade Organisation should also look for markets where capital goods for India's industries might be available. Experts should be sent to U. S. A. in particular, to settle the terms of the purchase of capital goods in as short a time as possible. The biggest problem these days is the shortage of dollars and this might stand in the way. But we can partly tide over this difficulty by invoking the assistance of the International Fund and also by contracting an arrangement for loans from the United States Government. But this loan giving business has become obnoxious now-a-days. For it works out its ways in insidious political wirepullings and puppetry of the debtor countries. And so it should be avoided. But can it be entirely avoided? Probably not and therefore political wirepulling is bound to play a mischief in the end.

But for this, as said above, there is no cure save this that the leading nations show an attitude of honesty and of fair play. No planning on earth, however intelligent howsoever perfect can have a chance of success till the men behind its working are sincere and honest and have shed all motives of cheating and exploiting the weak.

The game of Imperial Preference is cheating greater part of it and India has lost a good deal in this game. Her gains wherever they have accrued to her

have been too few to be substantial. The new Indian Government might insist that Great Britain might better discontinue the game now. For what that country is passing through we have every sympathy, but we cannot show much of it. India is inside a pit whereas Great Britain has a place on the surface above. We have an obligation towards those on the surface no doubt, but let us for heaven's sake come up on the surface ourselves before the obligation expected of us can be discharged. In fact, towards those inside the pit the obligation of mankind should be greater and more imperative or else they might die of strangulation and lack of all light.

A mischievous clause has been inserted in the draft proposals for the International Trade Organisation. This clause means to suggest that sanction for the abolition of preferential arrangements would not be granted unless the countries concerned give a promise to eschew imposition of tariffs on goods flowing from abroad. The suggestion is meant to prolong preferential settlements with the weaker countries. For it is they who cannot make such a promise. The U. S. A. is trying her best to put an end to such arrangements (she has got it from Great Britain that the latter would discontinue all preferences by 1952) but Great Britain is greatly reluctant. The India Government should see to it that they are discontinued sooner than 1952 for they are a source of constant friction to the non-empire countries and might also cause an artificial channeling of India's foreign trade.

Much has been talked in India about discriminating protection. All protection, anywhere, is discriminating in the sense that it does not in reality apply to all the agricultural and industrial constituents of a nation's economy. So long as there is a single constituent left unprotected, the general tariff obviously assumes a discriminating character. There should be no quarrelling about discriminating protection, therefore. What is to be quarrelled about is the laxity, redtapism and corruption

which gradually grew up in the management of that tariff in India. In the very description of conditions in which protection could be granted to Indian industries there were certain niceties of detail which kept in suspense all judgment for a long time. The new government it is hoped would see to it that these ills, are soon abolished.

Any international planning is a happy idea. But it is more ethical than economic. Nations who are rich and happy and ahead of others must come out with an open heart and a sense of justice and fairplay and give all assistance to the poor and the weak. To those speaking out goody-goody phrases on the stage of international assemblies, it might once again be sounded as a warning that all humanity is woven by the same thread and if they want to rise, then others must also be pushed up alongside or else bad things will follow and bring them down. Economic advancement of the backward people is the only true sanction for the establishment of international security. We doubt if that dream can be realised any other way. And how can we plan without realising that dream ?

Lecture No. 12

## PLANNING AND STATISTICS

BY MAHESH CHAND

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(The creation of new limits to our country does affect the planning of Statistics. Yet the whole country must fall in line with the Government of India regarding the collection of statistical data. We must have statistics for all parts of the country, statistics relating to manpower and employment, production and distribution, prices and wages and profits and cost of living. We must have adequate and proper statistical organisations to collect and work upon these statistics. And we must create facilities for statistical education to provide personnel for the statistical organisations. Within the limits of this talk it is not possible to cover the whole ground but superficially. I feel that the treatment has, to some extent, been vitiated by the revelation, at the last minute, of a demand for details for the short period—M.C.)

It is commonsense that before we plan for any activity, we must have the answer to three questions. One, what do we require? Two, what do we already have? Three, what are the resources and organisations that can be used by us to achieve the targets? As men concerned with our own material welfare—really by heritage every Indian is concerned about the welfare of all non-Indians also—we would plan our economic activities so as to raise our standard of living from the present utterly low level to a reasonable one.

But planners cannot carry on with such vague

targets. They must definitely know the figures—quantity and value—for different commodities, and services, which are produced and used, the raw materials, the production capacity, the population, vital statistics, migration etc. Technically speaking, the primary data must be known.

The Economic Inquiry Committee (1925) had divided the primary data into three broad classes :—

1. Statistics of Production including agriculture, livestock, fisheries, forests, minerals, cottage and small industries, large scale industries, labour statistics other than wages.
2. General Statistics other than production comprising trade, finance, transport, education, population, vital statistics, migration.
3. Statistics of Income, Wealth etc., including indebtedness, wages, cost of living, prices etc.

#### *Population Statistics*

Personally, I would place statistics relating to man power, vital statistics and migration first. We must know the growth of population in the immediate future in order to provide a reasonably sound basis for estimating such fundamental requirements as food, clothing and housing, as also those relating to health and other services. For this the net reproduction rate must be known and the raw materials pertaining to the same must be collected. In any case, as the Health Survey and Development Committee put it, the age of the mother at the birth of the first child and every subsequent child must be recorded. It is also essential that the compilation of births and deaths be improved and extended over a greater area. The registration of births and deaths be made compulsory. An incentive to the registration of births can be given if the courts and schools and such bodies demand the birth certificates. In the urban areas, where the local bodies generally have the registration compulsory legally, defaulters should be

prosecuted. As regards the rural areas under the present system the responsibility for reporting births and deaths rests with the village chowkidar and that for registration with the thanadar of the nearest police station. The former is illiterate and the latter over-busy. The Madras system should be adopted in every other region. Under it, the village *Mukhia* (head-man) is responsible for the registration of births and deaths. He passes the figures to the Tahsildar who in turn sends them direct to the Director of Public Health.

Besides, the age and the sex composition of the population should also be known. The information in regard to this is contained in the 1941 census and it must be tabulated without delay. One may also refer to the recommendations made by the Population Data Committee (1944), which, if given effect to, would enable us to construct the age and sex table. It would then be possible for us to forecast the increase in population for the next twenty to thirty years.

We must mention at this stage the immediate necessity for registers of households prepared and maintained for both urban and rural areas. The list may contain information regarding the name, date of birth and sex of the normal residents of every house. This should be revised and kept up to date annually. The list of households is essential not only for demographic studies on a sampling basis, but also for socio-economic enquiries on the same basis. Even Prof. R. A. Fisher, who was consulted by the inter-Departmental Committee on Official Statistics, was of the opinion that the household is the appropriate starting point for economic surveys.

While on the question of population, let me stress the importance of knowing the occupational distribution of population. The occupational tables for the 1941 census have not been tabulated. Consequently discussions about employment are generally based on the figures for 1931. To some extent we have some recent

figures for employment in large factories under the Factory Act, or in the reports of the Rege Committee and the Handloom Fact Finding Committee. It is essential that the occupational data be tabulated immediately. In order to have the occupational changes year after year, it would be desirable to collect the employment figures with the help of the statistics of establishments. We shall refer to these later.

#### *Statistics of Consumers' Purchases*

In order to give an answer to the question "What do we require?", it is not enough to know the population data. We must also have statistics of consumers' purchases. We must know how the family income is spent, not on the major consumption groups, but on specific goods in those groups. The families may be classified according to income, occupation and size. A knowledge of the demand for specific goods at different income levels would enable the planning authority to estimate the probable (new) demands when the income levels increase. Incidentally, a comparative study of the rural and urban incomes and expenditure at the different levels shed light on the relative abilities of the rural and urban areas to absorb each other's products, and on the manner in which the capacity changes as the incomes change. The producers and distributors also can use the information on income distribution and consumers' preference to plan their production and sale plans. It must, however, be mentioned that in India the economy is predominantly agricultural, a major portion of the production is for own consumption, and the public is always hesitant, rather unwilling in supplying information regarding income and expenditure. But it should not therefore be said that the surveys are rather impossible or costly to make, or less desirable. It is however true that so far as targets are concerned, it is not so very necessary to have statistics regarding consumers' purchases. They need not be given the second priority.

### *Agricultural Statistics*

We must now turn to the production statistics. Agriculture calls for our first attention. The problem is three-fold. Firstly, the accuracy of the output figure should be increased. Till now the output figures have been in general estimated by finding the (*i*) area under cultivation and (*ii*) the yield per acre. The yield per acre is estimated by multiplying the normal yield with the condition factor. By condition factor is meant the condition of the crop in comparison with the crop in the normal year. The system is justified so far as the intelligence of the Patwari (the village accountant) is concerned. But there are two fundamental objections to the estimation of the crop condition by the Patwari. One, since the rent-relief is dependent on the crop-forecast, the Patwari is apt to over-estimate the crop-condition to please the superiors. Two, the crop-condition is reported to be so-many-annas of the normal crop. If the normal crop is taken to be sixteen annas, then it is easier to forecast the crop-condition than if the normal crop is taken to be twelve, thirteen or fourteen annas as is the practice in Madras, C. P., Bihar etc. It is therefore desirable to replace the system by what has been proved to be a better method, viz., crop-cutting experiments on the random sampling basis.

Experiments have already been successfully carried out in Bengal, Bihar, C. P., Punjab, the wheat belt and the rice-growing districts in India. It is desirable that the system be uniformly adopted. With a centralised supervision and a short period training course for the Patwaris, the greater part of the existing revenue machinery can be used to adopt the new method. The system will also do away with the controversy which exists in regard to the measurement of the normal yield. The new system shall yield results in so-many-maunds (or tons) per acre.

So far as the area under cultivation is concerned,

the position is most unsatisfactory in the permanently settled regions. In the temporarily settled regions the area has to be measured accurately every year for revenue and irrigation purposes. The best way to improve the condition in the permanently settled areas is to undertake the survey of the area under the different crops on a stratified random sampling basis. It has been successfully experimented upon in Bengal in regard to jute and rice.

An important problem in regard to the agricultural statistics is that of mixed crops. A large area is sown under mixed crops e.g., wheat with gram, barley or linseed, arhar with jwar or bajra, cotton with oilseeds and barley with gram. The problem cannot be solved at the India level. The proportion of the mixture varies from region to region. The best course is to find out the mixing-practice in every district, separate the areas according to certain formulae and even estimate the yield. These area and yield figures may be reported annually.

Incidentally I must warn against the introduction of too many complexities, high-powered mathematics, and high sounding names such as Latin, Greek and Hyper-Graeco Latin arrangements.

It is also essential that returns should be obtained for the areas, particularly about half of the Indian States, for which no returns are available.

Theoretically we must also have the statistics for the minor crops, fruits and vegetables. Estimates must be collected for the various types of cattle. Their classification should be improved and made uniform throughout the country. Data should also be made available for the annual production of milk and milk products. We have at present certain estimates in the reports on the marketing of milk and milk-products published by the Central Agricultural Marketing Department. We have similarly the quinquennial census report on the live-stocks. Our first steps in planning can be safely based

on these estimates without any fear of overshooting the mark.

*Industrial Statistics:*

Attention must next be turned to the industries. We now have an Act of the Government of India viz., the Industrial Statistics Act, 1942, which empowers the State to call for compulsory returns on any matter relating to the factories and certain specified matters relating to the welfare of labour and conditions of labour. The 'factories' include those to which the Factories Act applies. This covers all factories with at least 20 workers and using power. It is desirable that the provincial governments should notify—they have the power to do so under the Factories Act—all factories employing between ten and twenty workers, as also those not using power to be "factories" for the Factories Act.

In the first instance the returns were to be called from twenty-nine industries, but it is understood that it is to be applied to all industries. The details are called for under five main heads, viz., (i) capital structure, (ii) number of persons employed, salaries and wages paid etc., (iii) fuel, electricity, water etc. consumed, (iv) materials other than fuel, electricity, water etc., consumed and (v) products and by products made for sale. One may add that as soon as possible, details should also be collected regarding the nature of the undertaking, the outgoings and costs.

The details collected under the Industrial Statistics Act would still leave a very large portion of the goods and services produced in India. It leaves out the cottage industries. A great deal of matter is no doubt to be found in the annual reports of the provincial industries departments and in occasional specific enquiries. In order to have reliable estimates about the cottage industries periodically, it is desirable that an economic survey of the country be carried out every five years on a random sampling basis.

*Labour Statistics:*

While dealing with the Industrial Statistics Act, reference should be made to the labour statistics. The Act empowers the State to collect statistics relating to any of the following matters:—

1. Prices of commodities.
2. Attendance.
3. Living conditions including housing, water-supply and sanitation.
4. Indebtedness.
5. Rents of dwelling houses.
6. Wages and other earnings.
7. Provident and other funds provided for labour.
8. Benefits and amenities provided for labour.
9. Hours of work.
10. Employment and unemployment.
11. Industrial and labour disputes.

The information under ‘hours of work’ should also cover the number of hours worked by the employees. We must also know the nature of employment of the workers.

Employment statistics for factories covered by the Factories Act in British India and the mines are available. Steps should be taken to have these figures on a monthly basis. This would still leave the unorganised industries for which the cure is the holding of the occupational census or collection of the statistics of establishments on a basis of random sample.

The second main head under which details are collected under the Statistics Act includes ‘salaries and wages paid.’ The sixth item named above is also ‘wages and other earnings.’ With these informations it should be possible to have some sort of an industrial wages index. We do not have any scientifically constructed index of wage rates and it is high time that the Labour Department took steps for the inauguration of such an

index. Meanwhile the information contained in the census of wages taken in U. P., Madras, Punjab, C. P., and Bombay, the annual reports of the Factories Act, the returns under the Payment of Wages Act and the recent Rege Committee reports should be coordinated. The quinquennial census of wages taken in U. P., Madras and Punjab covers the rural wages also. Similar data for other provinces are necessary to form an index of rural wages.

#### *Trade Statistics:*

Trade and prices should form another group for statistical information. For the planning authority, the knowledge about the movement of goods must be secured. Firstly, now that the sales tax is being levied in many provinces—it should really be levied in all—the administrative machinery for the tax should collect figures for total sales for a number of main heads at first. Later they may be amplified as far as possible.

The progress of road transport, accounts for more and more movement of goods between districts and provinces. It is high time that statistics for these movements as also those of passengers carried are collected. It is also essential that statistics be compiled for the types and quantities of goods passing through principal intermediate stations. These figures would be of immense help in dealing with the question of localisation of industrial units and in stopping unnecessary cross-movements of goods.

We already have statistics relating to the sea-borne trade, coasting trade and trade across the land frontiers. These require improvement in certain respects. Thus the land-frontier trade is not classified by origin or destination of goods so far as the foreign countries are concerned. The statistics are at present collected by the Railway authorities and they may be prevailed upon to introduce two columns in the railway receipt, viz., country of destination, origin and the value of the goods.

As regards the coasting trade, although the figures by source and destination are available, they are reported to be not tabulated. This should be done.

#### *Price Statistics:*

Coming to prices, there are now being published all-India index numbers of commodity prices, and retail price index numbers for fifteen rural centres. The former are constructed for three groups separately as also for all of them. They are called index numbers for (1) primary commodities, (2) raw materials, (3) manufactured articles and (4) all commodities. The prices for fifteen of the twenty-three commodities involved are used to construct an index number of "Chief articles of export." It is however regretted that the price-quotations are taken mostly from the port-cities and they are arbitrarily weighted. The all-commodities index number, which is otherwise called the general purposive index, cannot be taken to be an accurate measure of the general level of prices. For this the number of commodities should be increased and made more representative and the two defects pointed out above should be remedied. An index number of retail prices for the urban areas should also be constructed.

Incidentally, harvest prices are collected through the branches of the Imperial Bank of India. So far these have not been utilised to make any index number, although one can be constructed and can be taken to represent the fluctuations in the prices received by the cultivator. This should be done. At the same time it must be pointed out that there is a good deal of misunderstanding in regard to the meaning of the "harvest price". Uniformity in this regard should be secured.

#### *Statistics of Finance:*

As regards finance, the annual statistics of the joint stock companies have to be brought up-to-date and improved. The companies should be classified accord-

ing to the extent of paid-up capital. The classification should be changed to suit the nature of business and to allot separate places to such important industries as cement and ship-building. The private companies should be separated from the public companies, and in order to enable a study of the relation of the profits to the capital structure of the companies, figures for profit and loss, depreciation and block capital should be included in the tables.

An annual index of profits of the companies is prepared by the Economic Adviser and published in the Review of Trade of India. But the companies included are not representative, particularly in regard to the cotton textiles, tea and sugar. In fact, for this as also for a number of studies relating to employment, production progress etc., it is essential to maintain annually an up-to-date and complete list of the establishments in this country. It is essential as the list of households referred to in connection with the population and cottage industries. So far we do not have the statistics of investment of Indian capital abroad and foreign capital in India: nor do we have the profits earned by the two types of investments.

Though it was possible to say something about the financial aspect of Indian agriculture under Agricultural statistics, it would not be wrong to deal with it here. We do not have the production and expenditure budgets of the cultivators nor complete data about the size of the holdings. We would like to know the cost of production of the major crops, but this would be covered when we collect the production statistics of peasant families which are mainly growing a single crop per season. Statistics must also be collected about the rural indebtedness.

#### *Planning of Statistics:*

I have so far talked about statistics for planning. Before I close, I must refer to the necessity for the

planning of Statistics. Today the various government departments have their own arrangements for statistics. The Commerce Department of the Government of India itself has the Department of Commerical Intelligence and Statistics, the Administrative Intelligence Room and the Economic Adviser's Office. These result in alternative and conflicting sets of figures. Coordination is an over-due necessity. We must therefore have a Central Statistical Office attached to the Cabinet—attached to the Cabinet because it shall then keep in touch with and help to collect statistics about the current problems facing the country. Likewise we should have a central co-ordinating Statistical Department in the provinces. We must also supply these organisations with trained personnel and it would be advisable to create an Indian Statistical Service like the Indian Administrative Service. To equip the personnel of the statistical services, the training facilities in statistics should be greatly increased. We have the Indian Statistical Institute, the statistical course of the Indian Council of Agricultural Research and lastly the Indian Universities, most of which do teach statistics at the post-graduate stage and to some extent at the under graduate stage—particularly on the Commerce side. A diploma course in statistics should be organised for the under graduates outside the regular university hours. In order to improve the teaching in Statistics, it is highly essential that the teachers be sent up for short period—say, summer vacation courses in practical statistics at the Indian Statistical Institute—if not to the foreign countries—as also, in view of the importance of our agricultural economy, at the Indian Council of Agricultural Research. The expense should be borne by the Provincial Governments and the educational institutions in moiety.

Lecture No. 13

## PLANNING THE STANDARD OF LIVING FOR INDIA

By C. D. THOMPSON

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As I said in closing my first lecture, it is now possible for the whole people to have leisure and learning and recreation, joy and play and contentment in work. This can be done by increasing the productivity of labour four-fold and by increasing the real wages of labour at least three-fold. The surpluses that arise will be taken by taxation and spent for national welfare in the case of private industries, redistributed to those who really create them in the case of co-operatives, and kept by the Government in the case of national industries. In other words the people will produce four times as much. They will get three-fourths what they produce and the other fourth they will receive in the shape of education, health, security, and recreation.

We have been afraid to go ahead as fast as we can for fear of widespread unemployment. It is of course true that if the average farmer produces three times as much as at present by modern methods of cultivation we will only need one third as many farmers as at present. Perhaps for wheat culture we shall only need one fourth, perhaps for rice one half, but let us say one third. What is to be done with the other two thirds, possibly half our labour? Will they be unemployed? Or how can we employ them? First of all and most important is education. We must get all the boys and girls into schools. First into elementary schools; and later into

high schools. This will absorb 1/5 of India's labour. Moreover it will have the effect of postponing the age of marriage. Some pessimistic writers have been afraid that the population of India would grow faster than food could be increased. In Russia they reduced the standard of living, when they were building their basic industries. In India we cannot afford to reduce the standard of living, nor is it necessary. We have 1/5 of the World's population and we are afraid to increase productivity for fear of unemployment. The one thing which India can sacrifice temporarily is her increase in population; or at least part of it. We can reduce the increase of population temporarily, while we are building our basic industries, by sending all our boys and girls to high schools, and as many as are worthy of it to college. No one I think could object to this five year postponement of marriage which would make our girls stronger and better mothers, and would give us a chance to catch up in our industries and our food supply. But this is only one small part of increasing our standard of living. Let us go back to the supply of labour. We have said that one fifth of it might be absorbed by sending the boys and girls to schools. Including teachers who would be needed for this vast increase in schools, the labour absorbed might be from 15 to 20 per cent.

The next point to consider is transportation. With the increased use of motor cars and trucks, India will never need to build as many railways as Western countries have built, but the roads will be multiplied at least four-fold and the railways probably doubled. As roads last a number of years, the building of roads will occupy not four times but perhaps 20 times as much labour as formerly. This will only be temporary, but by the time the roads are built, the people engaged in transportation will be four times as many as at present. We may expect transportation to take about 10 per cent of India's labour. Camels and bullock-carts will still be used, but the goods being transported will have increased from eight to

ten times as the standard of living rises, and buses and lorries will start regularly in all directions.

Next we come to the absorption of labour in industries. It has often been pointed out that with the growth of large-scale industries, much less labour will be needed to produce with machinery more than is now produced by hand. The number employed in the textile industries, it is said, will not be larger than at present even when we produce two and three times as much cloth as now. What is forgotten in such statements is that the machinery has to be produced. The production of all these new machines is in itself an enormous industry. Then there must be machines to make the machines. It is also forgotten that there will be hundreds of new industries such as had never been thought of before, producing the radios, the washing machines, the mixing machines, the refrigerators, the toasters, the vacuum cleaners, the modern stoves, the sanitary appliances and plumbing fixtures, to say nothing of mechanical toys, such as meccano and tractor toys and electric trains. And all these will be brand new industries, employing labour of entirely new kinds, and absorbing the labour no longer needed on the farms. If India follows other countries, her industrial labour, including all the making of machines, will absorb from 20 to 25 per cent of her labour.

I find that I have not even mentioned the long list of agricultural machines, office equipment, scientific equipment, and calculating machines. It must be remembered that all these new things have to be sold. The additional buying and selling and exhibiting of these goods is likely to take 10 per cent of our labour more than at present.

We have now taken 15 to 20 per cent for high school and college education and for teachers. We have taken 10 per cent for transportation and 10 per cent for commerce and trade. We have taken from 20 to 25 per cent for new industries. All these add up to 60 per cent, though

we have only reduced the agricultural population from 75 to 25 per cent, or by about 50 per cent. This allows for another reduction of 10 per cent in the labour now used in small industries, or for an increase of 10 per cent in the population before these changes begin to take effect. It is certain that the small industries will not all disappear. It is much more likely that they will continue to operate with electric power using the female labour made available by the use of mechanical power in the home. The population will increase much more than 10 per cent before we accomplish all this. But the additional population will be born into a higher standard of living, and will require their own additional labour to manufacture all they need. The extra 10 per cent can then be used to cut the hours of labour from 9 to 8, or from 8 to 7, or even to work 6 days a week instead of 5, because we will be working more efficiently and more steadily, and with less waste of time during our working hours.

If we plan carefully, after gathering all the details of various industries, including small industries and hand-industries, considering the effect on these industries of introducing power into the homes, and considering also the effect of the new machine industries which we will gradually introduce, we may conclude that there need be no unemployment even if we proceed quite rapidly, and even if the population increases by 10 per cent every 10 years. According to the census, the population increased by 50 millions or about 15 per cent during the last decade. Many statisticians believe that the figures of this census were exaggerated for political purposes, but the decade was exceptionally free from epidemics, so it does not seem probable that we need plan for an increase of more than 10 per cent in an average decade. In the first decade if only elementary schools are opened and there are no abnormal weather conditions, it is possible that the population may increase more than this, but in the second decade when large

numbers of boys and girls begin to go to high schools, it is probable that the marriage rate will decrease and the increase in population will not be more than 5 per cent. It is possible that industrialisation may be speeded up so that what we are considering is possible in a decade, might be accomplished in five or seven years. But even if we do all we have planned in three decades, or 30 years, we shall do it twice as rapidly as it was done in America ; so it does not seem practical to plan for more rapid development.

Assuming that we have cast out the spectre of unemployment let us now consider food. Below is given the minimum daily diet per adult which was to be achieved after 5 years according to the Bombay Plan. I have also given the daily amounts per adult which I calculate to be available chiefly from "Food Statistics of India" issued in 1946.

#### *Minimum Daily Diet per Adult*

	Required for 2800 calories per day	Chataks	India produced on the average Chataks
Cereals .. .	..	8.00	9.2
Pulses .. .	..	1.50	1.2
Sugar .. .	..	1.00	0.9
Fats and Oils .. .	..	0.75	1.0 (Oils 0.6 Ghee 0.4)
Vegetables .. .	..	3.00	0.8
Fruits .. .	..	1.00	1.7
Whole Milk .. .	..	4.00	3.7
or			
Meat, Fish & Eggs ..	..	1.15	1.5

India has produced during the last 10 years an average of 60 million tons of cereals per year, ranging from

54 to 66 million tons. Thus in the worst year we had over 8 chataks and in the best over 10 chataks. These food-grains constitute about 60 per cent of India's food. The most serious shortage is in vegetables, but the statistics used do not include melons, cucumbers, egg-plant, beets, sweet potatoes, vegetable marrow, pumpkins, *bhindi*, *ninjia*, *lobia*, *taroi*, lettuce and many leaves used in the villages such as mustard-leaves and pea-leaves. The statistics of fruit do not include dates, figs, custard-apples, jack-fruit, wild-plums, raspberries, and many others. These do not include cocoanuts, *singhara*, *kajur*, walnuts, almonds, or any nuts except groundnuts. This crop alone could add half a chatak. I have taken four adults per family of five, and in other ways kept the calculations down. I have come to the conclusion that India already has the supplies of food aimed at in the first five years of the Bombay plan.

Of course it is not good planning to give figures like this, for the whole of India (including Pakistan). We must make separate figures for each province. Thus the United Provinces has more food-grains than shown above and less bananas. A gentleman said to me recently, "How can we divide our wheat between all the 400 million of India?" This, of course, we do not intend to do. Many rice-eaters would not want our wheat if they could get it. To try to divide all products equally would mean no end of needless transportation. We hope that some oranges and some bananas may be available everywhere, but we cannot waste our transport on needless attempts at unwanted equalization.

Neither can we be content with the above minimum requirements. *Possibly with the increased use of machinery and electricity in the homes and in the cottage industries, we shall not need any more calories; but to do our thinking and to keep wide awake and alert, we shall need more vitamins and minerals, that is to say, more fruits and vegetables, more milk and eggs.* Every growing boy and girl should have a seer of milk per day, and the adults half a seer. This

can be done if we multiply our milk by three. At present the average cow gives a seer and a quarter of milk, the average buffalo twice as much, and the average sheep-goat half a seer. In the Agricultural Institute of Allahabad, Naini, the average cow is already giving 5 seers, the buffalo 8 seers, and the goat also three times as much as in the villages. It ought not to be at all difficult to multiply our milk by three simply by breeding only those bulls whose mothers gave large quantities of milk, and by preventing the useless bulls from breeding. The day will probably come when no dairy will keep a cow that gives less than 5 seers, and the average may be raised to 10 seers. This is especially important in vegetarian families where milk is the only source of animal fat. Dr. Douglas Forman used to say that if only the village children had two small teaspoons of ghee each week, they would be able to escape all those diseases due to malnutrition. I am sure the village parents love their children enough to give them this small amount of butter, but they have made a practice of selling every ounce to cities. All they need is a little education to save the children from many miseries. I have frequently seen villagers walking back from the city with a large cucumber hung over the shoulder. This is somewhat ridiculous. Vegetables should go from village to city, and not from city to village. There are many ways in which our irrigation facilities can be more efficiently used, and vegetables can be grown in the villages if only some fencing is provided to protect them from animals. Storage and canning are also great fields for the saving of food. I have taken too much time already on technical details, but there are many ways to increase the production of fish and meat. Eggs are growing rapidly in popularity. I may mention that as the sweepers are relieved of their traditional occupation by means of mechanical sanitation, they will probably take to the growing of poultry and pigs, in which they have already made a good start.

As for cloth, when I first came to India, some forty years ago, we produced seven yards per capita. We were producing just before the War seventeen, or more than double. India has one of the largest textile industries in the world. Yet it is not large in proportion to the population. We should aim at 30 yards, 45 yards, and 60 yards per capita in the next three decades. It is probable that cotton will increase less than this, silk and wool in greater proportions, at least in the colder parts of the country. As incomes increase, there will also be a greater demand, increasing more than in proportion to wages, for all sorts of artistic cloth and for embroidered clothing. These are the very articles which are most profitable for weavers and tailors. There will thus be an enormous field for both large-scale power industry and industries in the home. Cloth is more unequally distributed than food; a rich family may own over a thousand yards of clothing, a poor man barely twenty yards. Thus the mills and the weavers must manufacture more for the village demand. *Perhaps this may be the aim of the first government cloth-mills, so that the government may be sure of cloth to trade for supplies of grain.*

If the villager is more in need of clothing, the city worker is more in need of house-room. One hundred square feet has been suggested as the minimum to be aimed at. I was amazed and shocked to find recently that one of my own servants was living in a single large room with two other families, making only 18 square feet per capita, though there was a large verandah facing an enclosed *angan*, making in all 81 sq. ft. per capita. If the *angan* or courtyard is quite private, and not open to the public, it makes up to some extent for lack of floor-space. In some of our large cities labourers' dwellings have been built three or four stories high. There is then no possibility of an *angan*. Refuse is thrown into the common courtyard or street by all, the drainage if often poor, and the stench unbearable. In the villages the situation is much better. A single

family of chamars may have five small rooms, each of about 100 sq. ft. one of which is used for the animals, but outside there is one small room, called a *baitki* which they keep for guests. They thus have about 100 sq. ft. per capita, though they are the poorest in the village. Other castes, though better fed, have 80 to 90 sq. ft. per capita. If the *angan* be included, they will often have 150 sq. ft. per capita. In the first decade we should obtain 100 sq. ft. per capita, which would mean much more than doubling in city slums. For the second we should aim at 150 sq. ft. and for the third at 200 sq. ft. per capita in rooms and verandahs, with another 50 sq. ft. for *angan*. Where *angans* are impossible an equal space in play grounds must be provided for the children. To provide this space in cities means increasing the size of the city, and this again is linked with transportation, and planning the industrial and the residential areas. City floor-space, when once it is built, will last for many years with reasonable repairs. Thus in cities it may pay to build more slowly but to build better from the beginning. This makes planning in cities doubly essential. In villages the houses are repaired once a year before the rains, and often have to be rebuilt after the rains. But floor-space alone is not enough. What the villager needs more than space is protection in floor and walls against white ants, against rats, and against cold. In both city and village they need screening against mosquitoes, to save them from malaria and dengue, and against flies to save them from cholera and typhoid. This must wait for the large-scale manufacture of screening in India, perhaps another opportunity for government enterprise. Sanitary plumbing is, of course, far more necessary in cities than in villages, but it will soon spread to the small towns.

Thus we are led inevitably from housing to health. *Malaria alone is said to rob us of one-sixth of our labour time, more than all the strikes and all the other diseases.* Forty per cent of our babies die before the age of ten. What

would happen to a potter who broke half his waterjars before he could sell them? But boys and girls are the most valuable and the most beautiful of all the machines we make. Minoo Masani in his "Picture of a Plan" has shown how we can reduce our infant mortality as England and other countries did in three decades from 150 to 60 or from 160 to 70. In the very first decade we could save nearly a third of our children, but perhaps we will have to wait one whole decade to get the doctors and the nurses. To come up to England's pre-war standard we should have to multiply our doctors by ten and our nurses by 200. Even America is far, far short of the Bombay plan's ideal of a doctor and two nurses,—one of them trained in midwifery,—for every village. Some of the cities have a lying-in hospital where the poorest mother may go that her baby may be well born.

This brings us back again to education. In a population of 400,000,000 there are about 80,000,000 of school going age. So ultimately we shall need two million teachers. But at first we shall only need half a million. All other countries have depended heavily on young girls to teach the primary classes and even high school classes. This itself depends on the education of girls. If we are to have two nurses for every village, and two to four teachers, (later five to ten teachers) we must wait until we have educated the boys and girls together for some years. If we cannot use young girls for teachers and nurses at first, perhaps we shall have to train older women. Perhaps, we shall have to depend on students, both boys and girls, going out to the villages for a year or two of service, before they can obtain government work. Perhaps first aid, such as is now taught to scouts, must take the place of nurses and dispensaries at first. But it is quite evident that our education cannot be merely reading, writing, and arithmetic. It must also include some technical skills, carpentry, iron lathes, the repair of cars for boys, cooking and serving and care of children for girls, first aid and prevention of diseases for both,

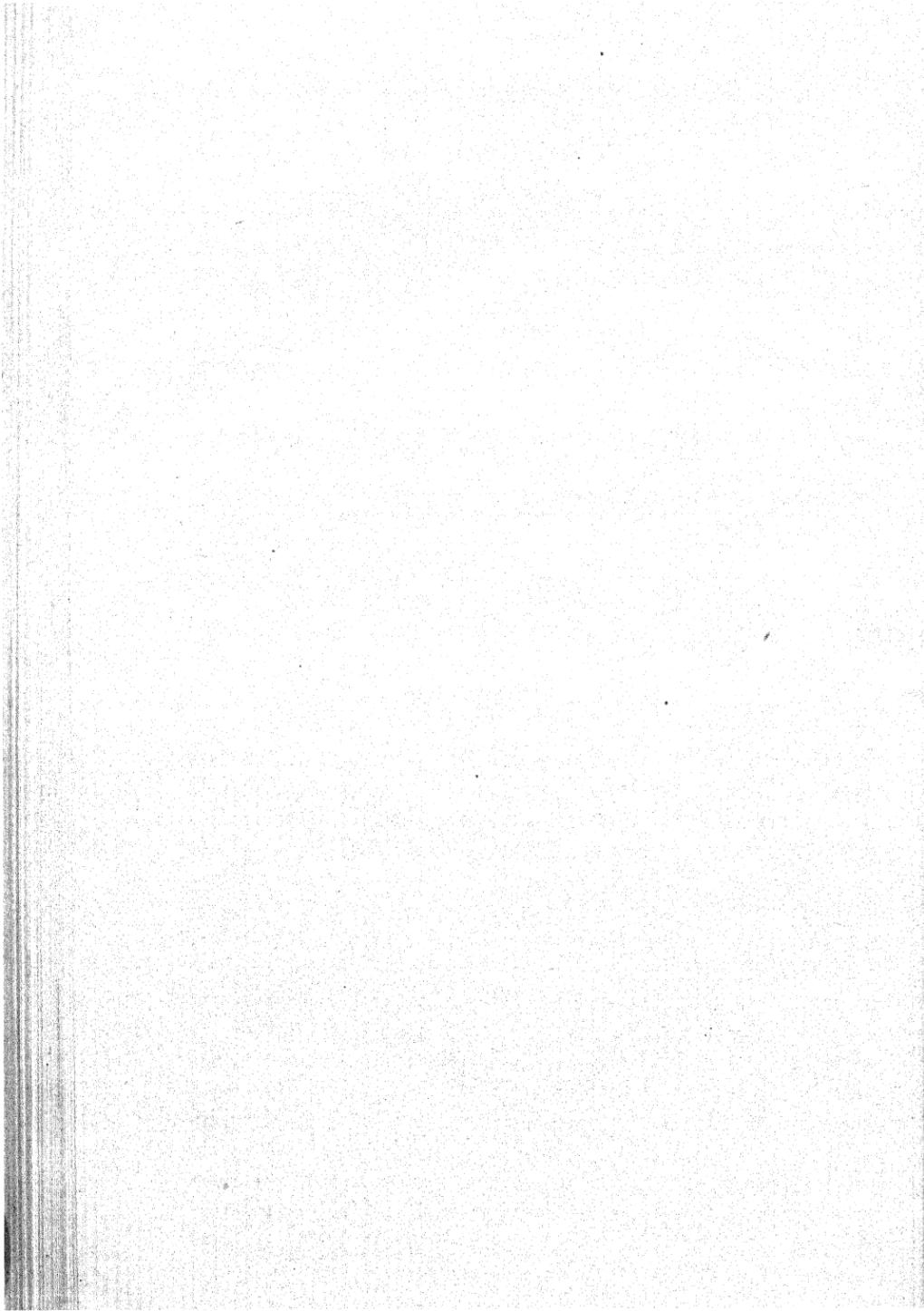
some knowledge of electricity, some knowledge of games and wholesome recreation. Something of food, of agriculture, the need of whole milk and vitamins, the care of teeth and healthy exercise should also be taught to all. Even older pupils can teach younger pupils many of these things, reviewing their own knowledge and improving their use of language at the same time. All can be done if only we have the will, the imagination, and the patriotism.

As for cultural recreation, singing, dancing, poetry, and drama will develop side by side with reading and writing. The people of India are natural actors. I have been astonished at some of the cooperative dramas I have seen, enacted by illiterate down-trodden villagers, depicting the failures and successes of their own cooperatives. Very little effort will be needed to develop this kind of recreation, and it may prove the best way of teaching such arts as first-aid, the use of money, and home-making.

In short in thirty years or less, we shall have the food we need, not more in quantity, but more varied more satisfying, more full of life and energy. We shall have four times the cloth, and well-aired homes with rugs and books and electric cooking, we shall have health enough to enjoy life, a high-school education or equivalent technical training for almost all, and a college education for a fifth of our boys and girls.

New-found leisure like new-found freedom will be misused by some. But India will have joy and contentment in work, and wide-spread learning and leisure to show what her real culture and her real capacities are.

In our economic planning we must combine and coordinate large and small, machine and hand, mountain and meadow, village and farm, electric power with human thought, tolerance of others' plans with confidence in our own, and joyous realization with willing sacrifice,



## APPENDIX

### RELATIVE ECONOMIC AND FINANCIAL POTENTIAL OF INDIA AND PAKISTAN<sup>1</sup>

TABLE A  
AREA AND POPULATION

<i>Country</i>		<i>Area in sq. miles</i>	<i>Population</i>	<i>Density per sq. mile</i>
India ..	..	1,250,000	332,780,000	255
Pakistan ..	..	330,000	66,122,000	200

TABLE B  
AGRICULTURAL AND MINERAL RESOURCES

<i>Description</i>		<i>India</i>	<i>Pakistan</i>
Cropped area in millions of acres		166.7	42.7
Area under food grains ..	..	118.1	35.8
Cultivable waste ..	..	65.2	29.0
Acreage under Jute ..	..	983,519	1,403,700
Cotton ..	..	13,770,000	1,630,000
Tea ..	..	641,243	96,657
Tonnage production of Rice ..		17,229,000	5,376,000
Wheat ..		4,199,740	2,785,260
Raw Sugar ..		2,631,000	517,000
Groundnut ..		2,274,000	negligible
Resources in Coal (tons) ..		25,079,802	198,476
Petroleum (gallons)		65,968,951	21,113,420
Chromite (tons) ..		5,194	21,892
Copper (tons) ..		288,076	..
Iron (tons) ..		1,421,701	..
Manganese (tons) ..		766,341	..
Magnesite (tons) ..		23,052	..
Mica (Cwt.) ..		108,834	..
Tonnage of cargo cleared in major ports ..		16,548,000	2,441,000
Railway mileage ..	..	25,970	14,542
Road mileage ..	..	246,605	49,863
Literacy of people (averages) ..		9%	5.3%

<sup>1</sup> Source—Commerce and Industry, Nov. 12, 1947.

TABLE C  
INDUSTRIAL LOCATION

			India	Pakistan	States
Cotton Mills	..	..	671	9	62
Iron and Steel Factories	..	..	17	..	1
Engineering Workshops	..	..	369	45	26 (4)
Jute Mills	..	..	106	..	1
Sugar Mills	..	..	149	..	13 (1)
Woollen Mills	..	..	4	2	8
Silk Factories	..	..	66	2	25 (3)
Paper Mills	..	..	14	..	8
Match Factories	..	..	80	5	28 (10)
Chemical Factories	..	..	29	2	7
Glass Factories	..	..	71	2	6 (2)
Soap Factories	..	..	16	1	9 (2)
Cement Factories	..	..	10	3	6 (1)

N.B.—Figures in brackets in the States' column relate to the number of factories in each category in Hyderabad State, which is given here for the sake of illustration.

TABLE D  
REVENUE ACCOUNTS ACCORDING TO 1947-48  
ESTIMATES  
(In Lakhs of Rupees)

Head		India	Pakistan
Customs	..	79,98	13,02
Excises	..	37,42	3,50
Corporation Tax	..	69,82	6,07
Other Taxes on Income	..	54,92	4,78
Salt	..	80	20
Opium	..	1,20	..
Land Revenue, Provincial Excise, Stamps, Forest, Registration, Motor Vehicles, other taxes and duties	..	2,63	47
Railways	..	7,50	..
Posts and Telegraphs (net)	..	3,58	64
Debt Services	..	1,06	21
Civil Administration	..	3,08	77
Currency and Mint	..	14,09	1,58
Public Improvement	..	62	11
Miscellaneous	..	1,75	31
Extraordinary Items, etc.	..	48	12

TABLE E  
EXPENDITURE ACCOUNTS ACCORDING TO  
1947-48 ESTIMATES  
(In Lakhs of Rupees)

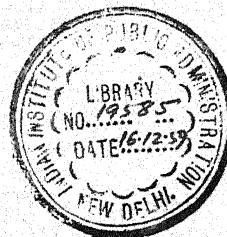
<i>Head</i>			<i>India</i>	<i>Pakistan</i>
Direct Demands on Revenue	..	..	8,91	2,22
Irrigation	..	..	9	5
Debt Services	..	..	34,75	8,69
Civil Administration	..	..	34,32	8,58
Currency and Mint	..	..	1,44	36
Civil Works, etc.	..	..	7,55	1,89
Defence Services	..	..	125,80	62,90
Miscellaneous Adjustments	..	..	71	1,00
Extraordinary Items	..	..	3,72	92

TABLE F  
FOREIGN TRADE OF INDIA AND PAKISTAN  
(In Lakhs of Rupees)

<i>Group of Commodities</i>		<i>India</i>		<i>Pakistan</i>	
		<i>Exports</i>	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>
Food, Drink and Tobacco ..	18,68	12,27	1,64	1,29	
Raw Materials and Produce					
and Articles mainly unma-					
nufactured .. ..	46,61	33,09	17,75	3,40	
Articles wholly or mainly					
manufactured .. ..	59,18	58,32	1,47	9,43	
Living Animals .. ..	2	7	2	1	
Postal Articles .. ..	1,50	2,78	34	46	
Totals (including some article					
not listed above) .. ..	1,07,39	1,06,00	19,62	14,00	

TABLE G  
INDO-PAKISTAN TRADE BALANCES  
(A Projection into 1948-49 in lakhs of Rupees)

<i>India's Exports to Pakistan</i>		<i>India's Imports from Pakistan</i>	
<i>Commodities</i>	<i>Value</i>	<i>Commodities</i>	<i>Value</i>
Cotton Cloth ..	40,00	Foodgrains ..	35,00
Other Textiles ..	2,00	Jute .. ..	36,00
Yarn .. ..	5,00	Cotton .. ..	25,00
Jute Manufactures ..	3,30	Wool .. ..	1,00
Sugar .. ..	9,00	Fruits and Vegetables .. ..	1,50
Gur .. .. ..	10,00	Miscellaneous ..	3,00
Iron and Steel ..	6,75		
Coal .. ..	10,50		
Vanaspati .. ..	5,00		
Tea .. .. ..	4,50		
Paper .. ..	50		
Miscellaneous .. ..	5,00		
Total	Rs. 101,55	Total	Rs. 101,50



## OUR OTHER PUBLICATIONS—ENGLISH

		Rs. a.
1.	Congress Hand Book .. . . .	2 8
2.	Cottage Industry in Indian Economy .. . .	2 0
3.	Congress Ministries at Work .. . .	2 0
4.	Congress and Labour Movement in India .. . .	2 8
5.	Democracy .. . . .	.. ..
6.	Public Revenue and Expenditure .. . .	1 0
7.	Congress and War Crisis .. . .	1 0
8.	C. P. Ministerial Crisis .. . .	0 8
9.	India on China .. . .	0 8
10.	The Indian Federation .. . .	0 8
11.	The Indian National Demand .. . .	0 2
12.	India's Stand .. . .	0 2
13.	Our Countrymen Abroad .. . .	0 8
14.	A. I. C. C. addresses .. . .	0 8
15.	Presidential Address—Meerut—1946 .. .	0 4
16.	(a) General Secretary's Report—1940-'46 .. .	1 0
	(b) " " " —1939-'40 .. .	0 8
	(c) " " " —1938-'39 .. .	0 8
17.	I. N. C. Resolutions (a) 1930-1934 .. .	1 4
	(b) 1939-1940 .. .	0 8
	(c) 1938-1939 .. .	0 8
	(d) 1940-46 .. .	0 8
18.	Allahabad Conference (Provincial Presidents and Secretaries) .. . . .	0 8
19.	Constitution .. . . .	0 2

## CENTRAL ELECTION BOARD PAMPHLETS

20.	A Call to the Nation .. . .	0 2
21.	The Parting of Ways .. . .	0 2
22.	The Sinners of Sind .. . .	0 4
23.	What Congress Fights For .. . .	0 2
24.	Poverty and Partition .. . .	0 2

						Rs. a.
25.	27 Months of Service	..	..	..	..	○ 4
26.	A Political Outrage	..	..	..	..	○ 4
27.	The Country Votes Congress	..	..	..	..	○ 2
28.	Milestones of Liberty	..	..	..	..	○ 2
29.	Freedom Speaks	..	..	..	..	○ 8
30.	Let the Figures Speak Again	..	..	..	..	○ 2
31.	Pathan Votes Against Pakistan	..	..	..	..	○ 4

#### BULLETINS

32.	1940—Six issues in all ( <i>Price of each</i> )	..	..	..	..	○ 8
(b)	1942—Three issues in all ( <i>issue</i> )	..	..	..	..	○ 8
(c)	1945-46—Eight issues in all ( <i>issue</i> )	..	..	..	..	○ 8
(d)	1947—Yearly subscription	..	..	..	..	4 ○

N.B.—1947 Bulletins can be had in Hindi and Urdu also at the same rates

#### OTHER PUBLICATIONS

33.	Non-Violent Revolution. By J. B. Kripalani	..	..	..	..	○ 4
34.	Congress and the Problem of Minorities	..	..	..	..	2 8

#### PUBLICATIONS TO BE OUT SHORTLY

35.	Village Republic					
36.	Co-operation					
37.	India and International Economic Institutions. By Dr. V. K. R. V. Rao.					
38.	Political Parties. By Prof. N. Srinivasan, Andhra University.					